

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
1000704712 ONTARIO INC., IGNITE HOLDINGS INC., AND IGNITE INSURANCE
CORPORATION**

Applicants

**MOTION RECORD
(RE: CCAA TERMINATION AND DISTRIBUTION ORDER)
(RETURNABLE JANUARY 30, 2024)**

January 25, 2024

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TO: THE SERVICE LIST

**ONTARIO
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CORPORATION**

Applicants

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**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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CORPORATION**

Applicants

I N D E X

TAB	DOCUMENT
1.	Notice of Motion, returnable January 30, 2024
2.	Affidavit of Stephen Livingstone sworn January 25, 2024
A.	Exhibit "A" – Affidavit of Stephen Livingstone sworn October 26, 2023 (without exhibits)
B.	Exhibit "B" – Affidavit of Stephen Livingstone sworn November 1, 2023 (without exhibits)
C.	Exhibit "C" – Affidavit of Stephen Livingstone sworn November 22, 2023 (without exhibits)
D.	Exhibit "D" – Priority Claims Order issued November 29, 2023
E.	Exhibit "E" – Aviva Pay-Out Statement
3.	Proposed CCAA Termination and Distribution Order

TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF 1000704712 ONTARIO INC., IGNITE HOLDINGS INC., AND IGNITE
INSURANCE CORPORATION**

Applicants

**NOTICE OF MOTION
(Returnable January 30, 2024)
(Re: CCAA Termination and Distribution Order)**

1000704712 Ontario Inc., Ignite Holdings Inc., and Ignite Insurance Corporation (collectively, the "**Applicants**") will make a motion before Justice Kimmel of the Ontario Superior Court of Justice (Commercial List) on **Tuesday, January 30, 2024 at 11:30 a.m.**, or as soon after that time as the Motion can be heard, via Zoom videoconference.

PROPOSED METHOD OF HEARING: The Motion is to be heard

- In writing under subrule 37.12.1(1);
- In writing as an opposed motion under subrule 37.12.1(4);
- In person;
- By telephone conference;
- By video conference.

at the following location:

<https://ca01web.zoom.us/j/61804264297?pwd=MEpzRUtlUVB0UGc4eStsVGNTYmkxUT09#success>

Meeting ID: 618 0426 4297

Passcode: 057603

THE MOTION IS FOR¹

1. An order (the “**CCAA Termination and Distribution Order**”), substantially in the form of the draft order attached at Tab 3 of the Applicants’ Motion Record, *inter alia*:

- (a) abridging the time for service of this motion and the Motion Record and dispensing with service on any other person other than those served;
- (b) terminating these CCAA Proceedings upon the service of the Termination Certificate on the service list in these CCAA Proceedings by the Monitor certifying that, to the knowledge of the Monitor, all matters to be attended to in connection with the Applicants’ CCAA Proceedings have been completed;
- (c) approving the First Report of the Monitor dated November 2, 2023, the Second Report of the Monitor dated November 23, 2023, the Third Report, to be filed (collectively, the “**Monitor’s Reports**”), and the conduct and activities of the Monitor referred to therein;
- (d) approving the fees and disbursements of KPMG Inc., in its capacity as Monitor and Proposed Monitor, and its counsel and the anticipated further fees and disbursements of the Monitor and its counsel in connection with the completion by the Monitor of its remaining duties and administration of the CCAA Proceedings;
- (e) authorizing the Monitor, for and on behalf of the Applicants, to make the Distributions;
- (f) authorizing Residual Co. to assign the Earnout to Aviva pursuant to the Assignment Agreement;
- (g) authorizing the assignment of the Applicants into bankruptcy pursuant to the *Bankruptcy and Insolvency Act, R.S.C., 1985, c. B-3*, as amended (the “**BIA**”), and authorizing and empowering KPMG to act as trustee in bankruptcy (the “**Trustee**”) of each of the Applicants;
- (h) terminating the Charges upon the service of the Monitor’s Termination Certificate

¹ Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the affidavit of Stephen Livingstone sworn January 25, 2024.

on the service list in these CCAA Proceedings (the “**CCAA Termination Time**”);

- (i) discharging and releasing KPMG as Monitor of the Applicants in the CCAA Proceedings as at the CCAA Termination Time;
- (j) granting a release to the Monitor, its counsel, and each of their respective affiliates, and each of their respective current and former directors, officers, partners, employees and agents (collectively, the “**Released Parties**”) from any and all claims that any Party may have or be entitled to assert against the Released Parties now or hereafter in relation to the CCAA Proceedings; and
- (k) extending the Stay Period until the CCAA Termination Time.

2. Such further and other relief as may be required to advance the Ignite Group’s restructuring and that this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

Background to the CCAA Proceedings

3. Until closing of the Transactions, the Ignite Group, through Ignite Services, carried on business as a digital insurance brokerage for personal, auto, commercial, pet, and travel insurance. Through Ignite Group’s digital platform and with the support of its broker licensed employees, Ignite Services assisted its customers with shopping for and purchasing of various insurance policies from multiple insurance companies.

4. Facing a severe liquidity crisis due to a history of sustained and significant net losses and other industry-specific factors, the Ignite Group sought and was granted protection under the CCAA on October 30, 2023 pursuant to the Initial Order (which was amended and restated on November 9, 2023).

5. Among other things, the Initial Order and ARIO granted a stay of proceedings in favour of the Ignite Group, appointed KPMG as Monitor of the Ignite Group, approved the DIP Facility Agreement, and granted the Charges over the Ignite Group’s property.

6. The protections under the CCAA had been sought, in part, to provide the Ignite Group with an opportunity to implement the sale of their business for the benefit of all their stakeholders.

7. Accordingly, effective November 9, 2023, this Court granted the Approval and Reverse Vesting Order which, *inter alia*, approved the Purchase Agreement entered into between Ignite Holdings, as Vendor, and Southampton, as Purchaser, on October 26, 2023, and the Transactions contemplated therein.

8. Moreover, on November 29, 2023, the Ignite Group sought and obtained the Priority Claims Order which, among other things, approved the Priority Claims Procedure to resolve any claims against the Purchased Shares ranking in priority to the Senior Secured Obligations owing to the Ignite Group's first-ranking secured creditor, Aviva.

9. The Ignite Group received one (1) Proof of Claim by the Priority Claims Bar Date from the CRA, with respect to the CRA Priority Payables, in the aggregate amount of \$3,468,541.12.

10. The Transactions contemplated under the Purchase Agreement were structured to form a "reverse vesting" transaction. The Transactions closed on December 1, 2023, whereby, among other things, upon closing:

- (a) after implementation of the Pre-Closing Implementation Steps and the Capitalization Steps (as described in the Purchase Agreement), Southampton purchased the new shares of Ignite Services from Ignite Holdings and became the sole shareholder of the Company; and
- (b) the Excluded Contracts, Excluded Assets, and Excluded Liabilities (each as defined in the Purchase Agreement) with respect to Ignite Services were transferred and "vested out" to Residual Co., so as to allow Southampton to indirectly acquire the Company's business and assets on a "free and clear" basis.

11. Following the Closing Time (as defined in the Approval and Reverse Vesting Order), Ignite Services' liability under the Aviva Loan Agreement was channeled to, assumed by and vested in Residual Co.

12. Furthermore, upon closing of the Transactions, Ignite Holdings contributed, as a capital contribution to Residual Co., its contingent right to receive payment, if any, under the contingent indebtedness owing by Ignite Services to Ignite Holdings pursuant to the terms of the Adjustable Promissory Note, issued by Ignite Services in favour of Ignite Holdings on November 29, 2023.

13. Under the terms of the Adjustable Promissory Note, Ignite Services promised to pay to

Residual Co. the Principal Amount subject to adjustments related to the performance of the acquired business as outlined in the Adjustable Promissory Note (the “**Earnout**”).

14. Since the closing of the Transactions, the Applicants, with the assistance of the Monitor, have attended to and completed various post-closing matters.

Terminating the CCAA Proceedings

15. Having closed the Transactions, the Applicants are now seeking approval of the CCAA Termination and Distribution Order to facilitate the completion of the CCAA Proceedings.

16. Pursuant to the proposed CCAA Termination and Distribution Order, the CCAA Proceedings will be terminated upon the service of the Monitor’s Termination Certificate on the service list in these CCAA Proceedings certifying, to the knowledge of the Monitor, all matters to be attended to in connection with the CCAA Proceedings have been completed.

17. At the CCAA Termination Time, the Charges will be terminated immediately and KPMG will be released and discharged as Monitor.

18. The Monitor is supportive of the proposed termination of the CCAA Proceedings.

Authority to Assign the Applicants into Bankruptcy

19. Given that the Transactions did not provide sufficient proceeds to satisfy the Applicants’ indebtedness to their creditors, the proposed CCAA Termination and Distribution Order envisions a bankruptcy for the Applicants and authorizes the Applicants, with the assistance of the Monitor, to make an assignment in bankruptcy pursuant to the BIA before the CCAA Termination Time, and authorizes and empowers, but does not obligate, KPMG to act as the Trustee of the Applicants.

20. Pursuant to the proposed CCAA Termination and Distribution Order, the Trustee is authorized to administer the bankruptcy estates as if such estates were in respect of a single bankrupt for the purposes of carrying out its duties and responsibilities as trustee under the BIA.

21. After the Remaining CCAA Tasks are completed, the most logical and cost-effective solution is to allow the Applicants, with the assistance of the Monitor, to take any actions and steps which may be necessary to assign or cause the assignment of the Applicants into bankruptcy in order to complete this matter.

22. The Monitor is supportive of the proposed bankruptcies in order to bring an orderly conclusion to the Applicants.

Release of Charges and Bankruptcy Reserve

23. The Approval and Reverse Vesting Order and Purchase Agreement provided for the establishment of an Administrative Expense Amount (as defined in the Purchase Agreement) funded by Ignite Services to the Monitor from cash on hand at closing of the Transactions, which the Monitor was to hold in trust for the benefit of any persons entitled to be paid the Administrative Expense Costs (as defined in the Purchase Agreement) and amounts secured by the Charges.

24. A portion of the remaining proceeds being held pursuant to the Purchase Agreement will be used to fund the Bankruptcy Reserve in the amount of \$75,000 to fund the costs of the bankruptcies of the Applicants, and provided that the Senior Secured Obligations had not been satisfied in full, the funds shall be returned by the Trustee to Aviva, in an amount not to exceed the outstanding amount owing by the Applicants under the Senior Secured Obligations.

Distributions and Assignment of Earnout

25. The proposed CCAA Termination and Distribution Order, authorizes the Monitor, for and on behalf of the Applicants to make the Distributions:

- (a) to the CRA in satisfaction of its Priority Claim totaling \$3,468,541.12;
- (b) to KPMG, as Trustee, in the amount of the Bankruptcy Reserve (as discussed above); and
- (c) to Aviva in satisfaction of amounts owing by the Applicants with respect to the Senior Secured Obligations, not to exceed the outstanding amount owing by the Applicants under the Senior Secured Obligations.

26. The Priority Claims Procedure was administered for the identification, quantification, and resolution of any Priority Claims ranking in priority to the Senior Secured Obligations owing to Aviva. The Ignite Group received a sole Proof of Claim from the CRA in the aggregate amount of \$3,468,541.12, which has since been validated by Ignite Services and is sought to be satisfied in full by the Monitor pursuant to the proposed Distribution to the CRA.

27. Given that the Priority Claims Procedure has concluded and that the sole Proof of Claim

received by the Monitor and the Applicants is purported to be settled by way of the proposed Distribution to the CRA, the Monitor, on behalf of the Applicants, is now in a position to make one or more Distributions to Aviva in satisfaction of amounts owing under the Senior Secured Obligations.

28. The amount owing by the Companies to Aviva with respect to the Senior Secured Obligations (inclusive of per diem interest) as of January 30, 2024, will be \$7,357,212.93 (the “**Pay-Out Amount**”).

29. The Distributions to Aviva will not satisfy the entire Pay-Out Amount, thus, Residual Co. further seeks to vest all its rights, title and interests in and to the Adjustable Promissory Note to Aviva.

30. As such, the Applicants seek approval and authorization for Residual Co. to enter into and execute the Assignment Agreement pursuant to which, *inter alia*, the Earnout is assigned in favour of Aviva.

Releases in Favour of the Monitor and its Counsel

31. The Applicants are seeking releases for the Released Parties from any and all claims that any Person may have or be entitled to assert against the Released Parties now or hereafter in relation to the CCAA Proceedings.

32. The Monitor was instrumental to the continued operation of the Ignite Group during the CCAA Proceedings and in the successful outcome of the Purchase Agreement and the Transactions contemplated therein, which represented the best possible outcome for the Ignite Group and their stakeholders.

Approval of the Monitor's Fees and Activities

33. As described in the Monitor's Reports, the Monitor has undertaken numerous activities to facilitate the CCAA Proceedings and the Ignite Group's and thereafter Residual Co.'s (as Applicant) restructuring. The Applicants and the Monitor are now seeking approval of such activities pursuant to the proposed CCAA Termination and Distribution Order.

34. The Monitor also seeks approval of the fees and disbursements of KPMG Inc. in its capacity as Monitor and Proposed Monitor, and its counsel. The Monitor and its counsel will

prepare and file fee affidavits with the Court in advance of the hearing of this motion.

Extending the Stay Period

35. The Stay Period currently expires on January 31, 2024. Pursuant to the CCAA Termination and Distribution Order, the Stay Period is proposed to be extended to the CCAA Termination Time.

36. While the Applicants and the Monitor are working diligently and in good faith towards completing the Remaining CCAA Tasks, it will not be possible for these to be completed prior to the expiry of the Stay Period.

37. The extension of the Stay Period to the CCAA Termination Time will permit the Applicants and the Monitor to complete the Remaining CCAA Tasks in an efficient manner with the benefit of a stay of proceedings. Further, the proposed extension of the Stay Period will obviate the need for a further attendance before the Court which would only result in additional costs being incurred by the Applicants and occupation of further Court time.

38. The Applicants have and continue to act in good faith and with due diligence to complete the CCAA Proceedings.

39. The Monitor is supportive of the proposed extension of the Stay Period and does not believe that it will materially prejudice any of the Applicants' stakeholders.

Other Grounds

40. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court.

41. Section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended.

42. Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.

43. Such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

44. The Affidavit of Stephen Livingstone, sworn January 25 2024, and the Exhibits attached thereto;
45. The Third Report of the Monitor; and
46. Such further and other documentary evidence as counsel may advise and this Court may permit.

January 25, 2024

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF 1000704712 ONTARIO INC., IGNITE HOLDINGS INC., AND
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Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**NOTICE OF MOTION
(Re: CCAA Termination and Distribution
Order)**

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TAB 2

Court File No. CV-23-00708635-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

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Applicants

AFFIDAVIT OF STEPHEN LIVINGSTONE
(Sworn January 25, 2024)

I, Stephen Livingstone, of the Village of St. Jacobs, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the President and Secretary of 1000704712 Ontario Inc. ("**Residual Co.**"), Ignite Holdings Inc. ("**Ignite Holdings**"), Ignite Insurance Corporation ("**Ignite Insurance**", together with Residual Co. and Ignite Holdings, the "**Applicants**") and Ignite Services Inc. ("**Ignite Services**", together with Ignite Holdings and Ignite Insurance, the "**Ignite Group**", and together with the Applicants, the "**Companies**"), an Applicant until closing of the Transactions, and the Companies' sole director. I have held these positions since November 8, 2023, with respect to Residual Co. and February 8, 2016, with respect to the Ignite Group.

2. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in my affidavits sworn on October 26, 2023, November 1, 2023 or November 22, 2023, as applicable, copies of which are attached hereto (without exhibits) as **Exhibits "A", "B" and "C"**, respectively. All references to monetary amounts in this affidavit are in Canadian dollars unless otherwise stated.

3. I swear this affidavit in support of a motion by the Applicants for the issuance of an order (the "**CCAA Termination and Distribution Order**"), *inter alia*:

- (a) terminating these proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") upon the service of a certificate (the "**Monitor's Termination Certificate**") on the service list in these CCAA Proceedings by KPMG Inc. ("**KPMG**") in its capacity as

- the Court-appointed monitor of the Applicants (in such capacity, the “**Monitor**”) certifying that, to the knowledge of the Monitor, all matters to be attended to in connection with the Applicants’ CCAA Proceedings have been completed;
- (b) approving the First Report of the Monitor dated November 2, 2023, the Second Report of the Monitor dated November 23, 2023, and the Third Report of the Monitor, to be filed (the “**Third Report**”) (collectively, the “**Monitor’s Reports**”), and the conduct and activities of the Monitor referred to therein;
 - (c) approving the fees and disbursements of KPMG Inc., in its capacity as Monitor and Proposed Monitor, and its counsel and the anticipated further fees and disbursements of the Monitor and its counsel in connection with the completion by the Monitor of its remaining duties and administration of the CCAA Proceedings;
 - (d) authorizing the Monitor, for and on behalf of the Applicants, to make the Distributions (as defined and described herein);
 - (e) authorizing Residual Co. to assign the Earnout (as defined herein) to Aviva Insurance Company of Canada (“**Aviva**”) pursuant to the Assignment Agreement (as defined below);
 - (f) authorizing the assignment of the Applicants into bankruptcy pursuant to the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the “**BIA**”), and authorizing and empowering KPMG to act as trustee in bankruptcy (the “**Trustee**”) of each of the Applicants;
 - (g) terminating the Charges upon the service of the Monitor’s Termination Certificate on the service list in these CCAA Proceedings (the “**CCAA Termination Time**”);
 - (h) discharging and releasing KPMG as Monitor of the Applicants in the CCAA Proceedings as at the CCAA Termination Time;
 - (i) granting a release to the Monitor, its counsel, and each of their respective affiliates, and each of their respective current and former directors, officers, partners, employees and agents (collectively, the “**Released Parties**”) from any and all claims that any Party may have or be entitled to assert against the Released Parties now or hereafter in relation to the CCAA Proceedings; and

- (j) extending the Stay Period until the CCAA Termination Time.

I. OVERVIEW

A. Background

4. Until closing of the Transactions, the Ignite Group, through Ignite Services, carried on business as a digital insurance brokerage for personal, auto, commercial, pet, and travel insurance. Through Ignite Group's digital platform and with the support of its broker licensed employees, Ignite Services assisted its customers with shopping for and purchasing of various insurance policies from multiple insurance companies.

5. Ignite Services was operating at a loss since 2018 and continued to operate at a loss until the commencement of the CCAA Proceedings. While the Ignite Group's financial difficulties were driven by a variety of factors, the significant net losses suffered by Ignite Services over the years were largely due to Ignite Services' operations as a multi-carrier insurance brokerage with suboptimal rates being offered by insurance companies, significant customer acquisition costs in the insurance brokerage industry generally, and significant capital investments in its technology, which resulted in the inability for the Ignite Group to meet their obligations as they became due.

6. Aviva is the Applicants' first-ranking secured creditor. Pursuant to the Aviva Loan Agreement, as amended, entered among Ignite Services, as borrower, and Aviva, as lender, Aviva made a principal amount of up to \$5.94 million available to Ignite Services through a non-revolving credit facility (the "**Aviva Facility**"). Both Ignite Holdings and Ignite Insurance guaranteed the obligations of Ignite Services under the Aviva Loan Agreement and granted security over their assets in respect of the same. Prior to the commencement of these CCAA Proceedings, the full principal amount of the Aviva Facility was drawn and outstanding.

7. In addition to Aviva, the Minister of Finance (Ontario) had also registered security interests against Ignite Services with respect to liabilities for outstanding employer health tax and retail sales tax.

8. In June 2023, the CRA issued a notice of assessment to Ignite Services pursuant to which the CRA assessed Ignite Services as having \$3,721,625.53 in outstanding source deductions as of March 31, 2023, with respect to federal and provincial tax deductions, Canada Pension Plan and employment insurance, inclusive of penalties and interest.

9. Primary was the ultimate parent of Ignite Services and continues to be the ultimate parent of Ignite Holdings and Ignite Insurance, and funded Ignite Services' significant net losses over the past several years, prior to the commencement of the CCAA Proceedings. From February 2018 to October 30, 2023, Primary funded approximately \$58.3 million, on an unsecured basis, to Ignite Services in order for the Ignite Group to maintain operations as a going concern.

10. As a result of the Ignite Group's deteriorating financial position and inability to meet obligations to their creditors as they became due, the Ignite Group sought and obtained protection under the CCAA pursuant to the Initial Order, which, among other things:

- (a) appointed KPMG as Monitor of the Ignite Group in these CCAA Proceedings;
- (b) granted the Stay Period in favour of the Ignite Group and their D&Os until and including November 9, 2023;
- (c) approved the DIP Facility Agreement between the Ignite Group and Primary, as the DIP Lender pursuant to which the DIP Lender agreed to advance to the Ignite Group a total amount of up to \$1.1 million (the "**DIP Facility**") during these CCAA Proceedings, of which an initial amount of \$350,000 was advanced during the initial 10-day Stay Period; and
- (d) granted the following Charges against the Property:
 - (i) the Administration Charge in the amount of \$750,000;
 - (ii) the D&O Charge in the amount of \$250,000; and
 - (iii) the DIP Lender's Charge.

11. On November 9, 2023, the Ignite Group sought and obtained the ARIO, which among other things:

- (a) extended the Stay Period to and including January 31, 2024;
- (b) authorized the Ignite Group to increase the amounts which may be borrowed by the Ignite Group under the DIP Facility Agreement to \$1.1 million;

- (c) authorized the Ignite Group to pay pre-filing amounts owing for goods and services supplied by Tri-Quest Marketing Inc. to the Ignite Group, but only to the extent such amounts were, in the opinion of the Monitor, required to be paid for the success of the restructuring of the Ignite Group's business, with consent of the Monitor; and
- (d) ordered that the Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise in favour of any person, notwithstanding the order of perfection or attachment, on notice to those persons likely to be affected thereby, provided that the DIP Lender's Charge shall not rank in priority to the CRA Priority Payables.

12. Copies of the other orders, together with all other filings in the CCAA Proceedings, are available on the Monitor's website at: <https://kpmg.com/ca/ignitegroup>.

B. The Transactions

13. The protections under the CCAA had been sought, in part, to provide the Ignite Group with an opportunity to implement the sale of their business for the benefit of all their stakeholders.

14. As part of their restructuring efforts and prior to the commencement of these CCAA Proceedings, the Ignite Group, with assistance from their professional advisors, conducted multiple sales processes and a thorough canvass of the market for prospective investors and purchasers of their assets and business.

15. In March 2023, Primary engaged KPMG Corporate Finance Inc. to conduct a Sales Process for the sale of all or substantially all of Ignite Services' shares and/or assets. The Sales Process was conducted in a manner similar to a Court-approved sales process in an insolvency proceeding.

16. After extensive deliberations and consultations with their professional advisors, the Applicants concluded, further to and on the basis of their commercial and business judgment, that the Transactions contemplated under the Purchase Agreement entered into between Ignite Holdings, as Vendor, and Southampton, as Purchaser, on October 26, 2023, represented the best offer available in the circumstances and that proceeding with the Transactions was in the best interest of the Ignite Group and their stakeholders.

17. Specifically, the Transactions, among other things:

- (a) provided for Ignite Services to continue operations as a going concern, resulting in:
 - (i) most of Ignite Services' employees preserving their employment;
 - (ii) Ignite Services' customers maintaining their ongoing relationships with Ignite Services; and
 - (iii) Ignite Services' suppliers of services being able to maintain their business relationships with Ignite Services;
- (b) provided for most of the Ignite Group's secured liabilities being satisfied; and
- (c) provided for various unsecured and contingent liabilities, arising after the date of commencement of the CCAA Proceedings, to be assumed by the Purchaser.

18. As such, also on November 9, 2023, the Ignite Group sought and obtained the Approval and Reverse Vesting Order, which, among other things, approved the Purchase Agreement, the Transactions contemplated therein and authorized the Ignite Group to take such additional steps and execute such additional documents as necessary or desirable for the completion of the Transactions.

19. The Transactions contemplated in the Purchase Agreement were structured to form a "reverse vesting" transaction. In essence, instead of providing for a traditional asset sale transaction where all purchased assets are purchased and transferred to the purchaser on a "free and clear" basis and all excluded assets, excluded contracts and excluded liabilities remain with the vendor, the Transactions provided for a share transaction whereby, essentially:

- (a) after implementation of the Pre-Closing Implementation Steps and the Capitalization Steps (as described in the Purchase Agreement), Southampton purchased the new shares of Ignite Services from Ignite Holdings to become the sole shareholder of Ignite Services; and
- (b) all Excluded Contracts, Excluded Assets, and Excluded Liabilities (each as defined in the Purchase Agreement) with respect to Ignite Services were transferred and

“vested out” to Residual Co., so as to allow Southampton to indirectly acquire Ignite Services’ business and assets on a “free and clear” basis.

20. Following the Closing Time (as defined in the Approval and Reverse Vesting Order), Ignite Services’ liability under the Aviva Loan Agreement was channeled to, assumed by and vested in Residual Co.

21. Moreover, upon closing of the Transactions, Ignite Holdings contributed, as a capital contribution to Residual Co., its contingent right to receive payment, if any, under the contingent indebtedness, in an aggregate amount of \$2.5 million (the “**Principal Amount**”) owing by Ignite Services to Ignite Holdings pursuant to the terms of the form of adjustable promissory note attached as Exhibit “A” to the Purchase Agreement (the “**Adjustable Promissory Note**”), issued by Ignite Services in favour of Ignite Holdings on November 29, 2023.

22. Under the terms of the Adjustable Promissory Note, Ignite Services promised to pay to Residual Co. the Principal Amount subject to adjustments related to the performance of the acquired business as outlined in the Adjustable Promissory Note (the “**Earnout**”). The Adjustable Promissory Note contains certain covenants regarding the conduct of the business by the Purchaser.

C. The Priority Claims Order

23. On November 29, 2023, the Ignite Group sought and obtained the Priority Claims Order which, among other things, approved the Priority Claims Procedure to resolve any claims against the Purchased Shares ranking in priority to the Senior Secured Obligations owing to Aviva.

24. The Priority Claims Order also approved the Reimbursement Agreement pursuant to which, among other things, the Monitor was authorized to make a distribution to the DIP Lender following closing of the Transactions.

25. The Ignite Group received one (1) Proof of Claim by the Priority Claims Bar Date from the CRA, with respect to the CRA Priority Payables, in the aggregate amount of \$3,468,541.12.

26. A copy of the Priority Claims Order is attached hereto as **Exhibit “D”**.

D. Closing of the Transactions and Post-Closing Matters

27. The Transactions closed on December 1, 2023.

28. Among other things, the following occurred upon closing of the Transactions:
- (a) all of Ignite Services' right, title and interest in and to the Excluded Assets vested absolutely and exclusively in Residual Co.;
 - (b) all of the Excluded Liabilities were transferred to, assumed by and vested in Residual Co.;
 - (c) all of the right, title and interest in and to the Purchased Shares were vested absolutely and exclusively in Southampton free and clear of and from any Claims and Encumbrances;
 - (d) the Adjustable Promissory Note was assigned by Ignite Holdings to Residual Co. and all rights, title, and interests in and to the Adjustable Promissory Note held by Ignite Holdings were vested absolutely in Residual Co.;
 - (e) Ignite Services was deemed to cease being an Applicant in these CCAA Proceedings, with Residual Co. becoming an Applicant in these CCAA Proceedings; and
 - (f) the style of cause in these CCAA Proceedings was changed to: IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF 1000704712 ONTARIO INC., IGNITE HOLDINGS INC., AND IGNITE INSURANCE CORPORATION.
29. Since the closing of the Transactions, the Applicants, with the assistance of the Monitor, have completed:
- (a) the full repayment of the total advances of \$1.1 million made by Primary to Ignite Services under the DIP Facility, in satisfaction of the terms of the Reimbursement Agreement and the amounts secured by the DIP Lender's Charge;
 - (b) notification of closing of the Transactions to insurance regulators in Ontario, Alberta and British Columbia;
 - (c) review of the CRA's Priority Claim and related discussions with counsel to the CRA; and

- (d) other ancillary post-closing matters.

II. TERMINATING THE CCAA PROCEEDINGS AND RELATED RELIEF

30. Since the granting of the Initial Order, the Ignite Group and thereafter Residual Co. (as Applicant), in consultation with the Monitor, have acted in good faith and with due diligence to, among other things, stabilize their business, apprise their stakeholders of the CCAA Proceedings, negotiate and execute the Purchase Agreement and consummate the Transactions. As the Transactions have closed and the majority of post-closing matters have been completed, the Applicants are now seeking approval of the CCAA Termination and Distribution Order to facilitate the efficient completion of the CCAA Proceedings.

31. Pursuant to the proposed CCAA Termination and Distribution Order, the CCAA Proceedings will be terminated upon the service of the Monitor's Termination Certificate on the service list in these CCAA Proceedings certifying that, to the knowledge of the Monitor, all matters to be attended to in connection with the CCAA Proceedings have been completed.

32. I understand that the primary activities that the Applicants and/or the Monitor will complete prior to filing the Monitor's Termination Certificate include, among other things: (i) performing any outstanding post-closing obligations under the Purchase Agreement; (ii) assigning the Earnout to Aviva pursuant to the Assignment Agreement; (iii) payment of the Distributions; (iv) administration of the remaining proceeds being held pursuant to the Purchase Agreement; (v) completing and filing statutory tax filings; and (vi) the preparation of documents required for the assignment of the Applicants into bankruptcy. The remaining activities to be completed will be further described in the Monitor's Third Report.

33. At the CCAA Termination Time, the Charges will be terminated immediately and KPMG will be released and discharged as Monitor. Certain of the other relief sought under the CCAA Termination and Distribution Order necessary to effect an orderly termination of the CCAA Proceedings and the Applicants' assignments in bankruptcy is discussed immediately below.

A. Authority to Assign the Applicants into Bankruptcy

34. Given that the Transactions did not provide sufficient proceeds to satisfy the Applicants' indebtedness to their creditors, the proposed CCAA Termination and Distribution Order envisions a bankruptcy for the Applicants and authorizes the Applicants, with the assistance of the Monitor, to make an assignment in bankruptcy pursuant to the BIA before the CCAA Termination Time,

and authorizes and empowers, but does not obligate, KPMG to act as the Trustee of the Applicants.

35. Pursuant to the proposed CCAA Termination and Distribution Order, the Trustee is authorized to administer the bankruptcy estates as if such estates were in respect of a single bankrupt for the purposes of carrying out its duties and responsibilities as trustee under the BIA, including, without limitation:

- (a) administering the bankruptcy estates of Residual Co., Ignite Holdings, and Ignite Insurance under a single court file number and title of proceeding;
- (b) sending a notice of the first meeting of creditors (the "**Notice**") in the manner prescribed by section 102 of the BIA by sending a consolidated Notice for all of the Applicants to accompany the Notice set out in subsection 102(2) of the BIA;
- (c) convening meetings of creditors and inspectors in the bankrupt estates of the Applicants through one combined advertisement and conducting such meetings jointly provided that the results of any creditors' vote shall be separately tabulated for each such bankrupt estate;
- (d) using a consolidated form of proof of claim that directs creditors to identify the bankrupt estate in which a claim is made for voting and for distribution purposes;
- (e) maintaining a consolidated bank account with respect to the Applicants' respective bankruptcy estates;
- (f) issuing consolidated reports in respect of the bankruptcy estates of the Applicants;
- (g) performing a consolidated making, filing, advertising and distribution of all filings and notices in the bankrupt estates of the Applicants required under the BIA; and
- (h) appointing a single group of inspectors to be the inspectors for the consolidated bankruptcy estates of the Applicants.

36. The proposed CCAA Termination and Distribution Order provides that the above-described procedural consolidation is not a substantive consolidation of the bankrupt estates of the Applicants and will automatically terminate if the Trustee is replaced as licensed insolvency trustee of any, but not all, of the estates of the Applicants.

37. As noted above, the Transactions have closed and the primary activities to be completed by the Applicants and/or the Monitor prior to the delivery of the Monitor's Termination Certificate is the making of the Distributions and the performance and completion of certain outstanding post-closing obligations under the Purchase Agreement, among others.

38. After these activities are completed, the most logical and cost-effective solution is to allow the Applicants, with the assistance of the Monitor, to take any actions and steps which may be necessary to assign or cause the assignment of the Applicants into bankruptcy in order to complete this matter.

39. I understand that the Monitor is supportive of the proposed bankruptcies in order to bring an orderly conclusion to the Applicants.

B. Release of Charges and Bankruptcy Reserve

40. The Approval and Reverse Vesting Order and Purchase Agreement provided for the establishment of an Administrative Expense Amount (as defined in the Purchase Agreement) funded by Ignite Services to the Monitor from cash on hand at closing of the Transactions, which the Monitor was to hold in trust for the benefit of any persons entitled to be paid the Administrative Expense Costs (as defined in the Purchase Agreement) and amounts secured by the Charges.

41. A portion of the remaining proceeds being held pursuant to the Purchase Agreement will be used to fund, to the Trustee, a bankruptcy reserve (the "**Bankruptcy Reserve**"), in the amount of \$75,000 to fund the costs of the bankruptcies of the Applicants. Upon the completion of the bankruptcies, should there be any portion remaining under the Bankruptcy Reserve, and provided that the Senior Secured Obligations had not been satisfied in full, the funds shall be returned by the Trustee to Aviva, in an amount not to exceed the outstanding amount owing by the Applicants under the Senior Secured Obligations.

C. Distributions and Assignment of Earnout

42. The proposed CCAA Termination and Distribution Order authorizes the Monitor, for and on behalf of the Applicants, to make one or more distributions (collectively, the "**Distributions**"):

- (a) to the CRA in satisfaction of its Priority Claim totaling \$3,468,541.12;

- (b) to KPMG, as Trustee, in the amount of the Bankruptcy Reserve (as discussed above); and
- (c) to Aviva in satisfaction of amounts owing by the Applicants with respect to the Senior Secured Obligations, not to exceed the outstanding amount owing by the Applicants under the Senior Secured Obligations.

43. The Priority Claims Procedure was administered for the identification, quantification, and resolution of any Priority Claims ranking in priority to the Senior Secured Obligations owing to Aviva. Following the issuance of the Priority Claims Order, as discussed above, the Ignite Group received a sole Proof of Claim from the CRA in the aggregate amount of \$3,468,541.12, which has since been validated by Ignite Services and is sought to be satisfied in full by the Monitor pursuant to the proposed Distribution to the CRA.

44. As discussed earlier in this affidavit, Ignite Services and Aviva entered into the Aviva Loan Agreement pursuant to which Ignite Services was able to borrow up to a principal amount of up to \$5.94 million under the Aviva Facility. As of the date hereof, the outstanding principal amount under the Aviva Facility was \$5.94 million, with accrued interest in the amount of approximately \$1.23 million.

45. The obligations of the Applicants to Aviva under the Aviva Loan Agreement and the Limitation of Liability Agreement are collectively referred to as the Senior Secured Obligations.

46. The Applicants' obligations under the Aviva Loan Agreement are secured by:

- (a) security agreements executed by Ignite Services and Ignite Insurance in favour of Aviva, pursuant to which each of Ignite Services and Ignite Insurance granted a first-ranking charge on all of their assets in favour of Aviva; and
- (b) securities pledge agreement executed by Ignite Holdings in favour of Aviva, pursuant to which Ignite Holdings pledged all the issued and outstanding common shares in Ignite Services and Ignite Insurance to Aviva.

47. The Monitor's counsel conducted a review of the security granted by the Ignite Group in favour of Aviva and has provided to the Monitor a written opinion that as of November 23, 2023, subject to the customary assumptions and qualifications contained therein, the security granted

to Aviva is valid and enforceable against the Ignite Group or a trustee in bankruptcy in respect thereof.

48. Pursuant to the payout statement received from Aviva, attached hereto as **Exhibit “E”**, the amount owing by the Applicants to Aviva with respect to the Senior Secured Obligations (inclusive of per diem interest) as of January 30, 2024, will be \$7,357,212.93 (the **“Pay-Out Amount”**).

49. Given that the Priority Claims Procedure concluded on January 11, 2024 (the Priority Claims Bar Date), and that the sole Proof of Claim received by the Monitor and the Applicants is purported to be settled by way of the proposed Distribution to the CRA, the Monitor, on behalf of the Applicants, is now in a position to make one or more Distributions to Aviva in satisfaction of amounts owing under the Senior Secured Obligations.

50. However, given that these Distributions to Aviva will not satisfy the entire Pay-Out Amount, pursuant to the terms of the Limitation of Liability Agreement and with the support of the Monitor, Residual Co. further seeks to vest all its rights, title and interests in and to the Adjustable Promissory Note to Aviva.

51. As such, the Applicants seek approval and authorization for Residual Co. to enter into and execute the **“Assignment Agreement”**, pursuant to which, *inter alia*, the Earnout is assigned in favour of Aviva.

D. Releases in Favour of the Monitor and its Counsel

52. The Applicants are seeking releases for the Released Parties from any and all claims that any Person may have or be entitled to assert against the Released Parties now or hereafter in relation to the CCAA Proceedings.

53. The Monitor was instrumental to the continued operation of the Ignite Group during the CCAA Proceedings and in the successful outcome of the Purchase Agreement and the Transactions contemplated therein, which represented the best possible outcome for the Ignite Group and their stakeholders.

54. For the above reasons, I believe that the releases sought are appropriate in the circumstances and will assist with completion of the CCAA Proceedings.

E. Approval of the Monitor's Fees and Activities

55. As described in the Monitor's Reports, the Monitor has undertaken numerous activities to facilitate the CCAA Proceedings and the Ignite Group's and thereafter Residual Co.'s (as Applicant) restructuring. The Applicants are now seeking approval of such conduct and activities pursuant to the proposed CCAA Termination and Distribution Order.

56. The proposed CCAA Termination and Distribution Order also seeks approval of the fees and disbursements of KPMG Inc., in its capacity as Monitor and Proposed Monitor, and its counsel as well as an estimated amount of fees for the completion of the Remaining CCAA Tasks (as defined herein) in the administration of the CCAA Proceedings. To this end, I understand that the Monitor and its counsel will prepare and file respective fee affidavits with the Court in advance of the hearing of this motion.

F. Extending the Stay Period

57. The Stay Period currently expires on January 31, 2024. Pursuant to the CCAA Termination and Distribution Order, the Stay Period is proposed to be extended to the CCAA Termination Time.

58. Prior to the CCAA Termination Time, the Applicants and/or the Monitor are required to take various steps to complete the administration of the CCAA Proceedings such as:

- (a) distributing the remaining proceeds being held pursuant to the Purchase Agreement to pay:
 - (i) the reasonable and documented fees and costs of the Monitor and its professional advisors and professional advisors of Ignite Services and Residual Co. for services performed prior to and, other than in respect of Ignite Services, after the closing of the Transactions, relating to these CCAA Proceedings;
 - (ii) amounts in connection with any post-closing obligations of the Applicants under the Purchase Agreement, including the fees and disbursements incurred in connection with the completion of the tax matters contemplated under Section 8.3 of the Purchase Agreement, with respect to Ignite Services and Residual Co.;

- (iii) certain of the Charges granted in these CCAA Proceedings;
- (b) attending to any remaining post-closing matters under the Purchase Agreement and any necessary corporate or administrative filings;
- (c) making the Distributions and assigning the Earnout to Aviva in repayment of the Senior Secured Obligations; and
- (d) bankrupting the Applicants (collectively, these are the “**Remaining CCAA Tasks**”).

59. The Remaining CCAA Tasks will be completed as soon as possible. However, it will not be possible for these to be completed prior to expiry of the Stay Period on January 31, 2024. The extension of the Stay Period to the CCAA Termination Time will permit the Applicants and the Monitor to complete the Remaining CCAA Tasks with the benefit of a stay of proceedings in an efficient manner. Further, the proposed extension of the Stay Period will obviate the need for a further attendance before the Court which would result in additional costs being incurred by the Applicants and occupation of further Court time.

60. I understand that the Monitor is supportive of the proposed extension of the Stay Period and does not believe that it will materially prejudice any of the Applicants’ stakeholders. I believe the Applicants have and continue to act in good faith and with due diligence to complete the CCAA Proceedings.

III. CONCLUSION

61. I believe that the relief sought and described herein is in the best interests of the Applicants and their stakeholders. Further, I understand that the Monitor is supportive of the relief described herein and does not believe that any stakeholder will be materially prejudiced by the granting of the CCAA Termination and Distribution Order.

62. I swear this affidavit in support of the of the Applicants’ motion for the CCAA Termination and Distribution Order and for no other or improper purpose.

SWORN REMOTELY via videoconference,)
by Stephen Livingstone stated as being)
located in the City of Toronto, in the Province)
of Ontario, before me at the City of Toronto,)
in the Province of Ontario, on this 25th day of)
January, 2024, in accordance with O. Reg.)
431/20, Administering Oath or Declaration)
Remotely.

DocuSigned by:

Rania Hammad

3CCD226758524F3...

A Commissioner for Taking Affidavits, etc.)
RANIA HAMMAD

DocuSigned by:

Stephen Livingstone

421DD567E50D4AD...

STEPHEN LIVINGSTONE

EXHIBIT “A”

EXHIBIT "A"

referred to in the Affidavit of

STEPHEN LIVINGSTONE

Sworn January 25, 2024

DocuSigned by:

Rania Hammad

3CCD226758524E3...

A Commissioner for Taking Affidavits

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
IGNITE HOLDINGS INC., IGNITE SERVICES INC., and IGNITE INSURANCE
CORPORATION**

Applicants

**AFFIDAVIT OF STEPHEN LIVINGSTONE
(Sworn October 26, 2023)**

I, Stephen Livingstone, of the Village of St. Jacobs, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the President and Secretary of Ignite Services Inc. ("**Ignite Services**" or the "**Company**"), Ignite Holdings Inc. ("**Ignite Holdings**"), and Ignite Insurance Corporation ("**Ignite Insurance**", and together with Ignite Services and Ignite Holdings, the "**Applicants**" or the "**Companies**") and the Companies' sole director. I have held these positions since February 8, 2016.

2. I am responsible for overseeing the operations of the Companies, their liquidity management and, ultimately, for assisting in their restructuring process. Because of my involvement with the Companies, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the books and records of the Companies and have spoken with certain other individuals who manage the Companies, as necessary. Where I have relied upon such information, I do verily believe such information to be true.

3. This affidavit is sworn in support of an application (the "**Application**") returnable before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on October 30, 2023, to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in respect of the Applicants. The Applicants are seeking an initial order (the "**Initial Order**") in the form contained in the Application Record, among other things:

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are each a debtor company to which the CCAA applies;
- (c) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants, any of their assets, property, and undertakings (“**Property**”) or business, or their director and officers (the “**D&Os**”), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”), for an initial period of ten (10) days in accordance with the CCAA (the “**Stay Period**”);
- (d) appointing KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) as the monitor of the Applicants in these CCAA Proceedings (in such capacity, the “**Monitor**”);
- (e) approving the execution by the Applicants of an interim facility loan agreement (the “**DIP Facility Agreement**”) entered into on October 26, 2023 with Primary Group Limited (“**Primary**”), and in its capacity as lender under the DIP Facility Agreement, the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance to the Applicants a total amount of up to \$1.1 million (the “**DIP Facility**”), which will be made available to the Applicants during these CCAA Proceedings, of which an initial amount of \$350,000 will be advanced during the initial 10-day Stay Period (the “**Initial Advance**”);
- (f) granting the following priority charges against the Property:
 - i. an “**Administration Charge**” against the Property in the amount of \$750,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Proposed Monitor, counsel to the Proposed Monitor, and counsel to the Applicants, in connection with the CCAA Proceedings both before and after the making of the Initial Order;
 - ii. a “**DIP Lender’s Charge**” against the Property in the amount of the Initial Advance as security for the Applicants’ obligations under the DIP Facility Agreement; and

- iii. a “**D&O Charge**” (and together with the Administration Charge and the DIP Lender’s Charge, the “**Charges**”) against the Property in the maximum amount of \$250,000 in favour of the D&Os of the Applicants as security for the Applicants’ obligation to indemnify such D&Os for obligations and liabilities they may incur in such capacities after the commencement of the CCAA Proceedings, including with respect to employee vacation pay which may have accrued prior to the commencement of these proceedings, but which may become due and payable after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct; and
 - (g) sealing the Confidential Appendix to the pre-filing report of KPMG, in its capacity as Proposed Monitor (the “**Pre-Filing Report**”), to be filed, which contains an unredacted copy of the Purchase Agreement (as further discussed and defined below).
4. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated.

PART I – OVERVIEW¹

5. The Company carries on business as a digital insurance brokerage for personal, auto, commercial, pet, and travel insurance. Through the Company’s digital platform and with the support of its broker licensed employees, the Company assists its customers with shopping for and purchasing of various insurance policies from multiple insurance companies.
6. The Company sold its first policy in 2017 and has been operating at a loss since 2018. From commencement of operations to March 31, 2023, the Company has suffered total net losses of over \$59.8 million, and most recently the Company has suffered net losses of over \$10.1 million for each of the fiscal years ended March 31, 2022, and March 31, 2023. The Company has continued to operate at a loss until the date of this affidavit.

¹ Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the balance of this affidavit.

7. While the Company's financial difficulties were driven by a variety of factors, the significant net losses suffered by the Company over the years are largely due to the Company operating as a multi-carrier insurance brokerage with suboptimal rates being offered by insurance companies, significant customer acquisition costs in the insurance brokerage industry generally, and significant capital investments in its technology.

8. Further, as of August 2022, the ultimate parent company of the Company who has been funding the Company's net losses, ceased further funding to support marketing efforts. As a result, monthly traffic and revenue dropped off significantly.

9. As part of their restructuring efforts, the Applicants, with assistance from their professional advisors, have conducted a thorough canvass of the market for prospective investors and purchasers of their assets and business. One offer to purchase all the shares of Ignite Services is considered by the boards of directors of the Applicants to be the best in the circumstances.

10. That offer, and the resulting Purchase Agreement (as defined and described in greater detail below) is conditional upon a CCAA filing and Court approval of same. The Applicants intend to return to the Court to seek approval of the offer and resulting Purchase Agreement, and certain related relief, at a later date on notice to appropriate parties.

11. At this time, however, the Applicants are only seeking protection under the CCAA and certain ancillary relief as outlined in the draft Initial Order.

12. Without protection under the CCAA, a shut-down of operations or the commencement of self-remedy measures by creditors will occur, which would be extremely detrimental to the Applicants' employees, customers, and other stakeholders. Without the CCAA protection, the Applicants will also be unable to implement the sale of their business for the benefit of all their stakeholders.

13. The director of each Applicant has authorized this Application and the commencement of these CCAA Proceedings.

PART II – THE COMPANIES

A. Corporate Structure

14. The Applicants are each a private company incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”). The Companies’ registered head office is located in Waterloo, Ontario.

15. Ignite Holdings is a non-operating company and holds all the issued and outstanding shares of Ignite Services and Ignite Insurance (a non-operating company).

16. Ignite Services is the only operating entity with respect to the Companies and carries on business as a digital insurance brokerage under the business name of “aha insurance”. Ignite Services provides insurance brokering services in Ontario, British Columbia, and Alberta; and it holds all the required licenses with the applicable regulatory authorities which are required for it to carry on business as an insurance brokerage.

17. The Companies’ ultimate parent company is Primary, which is a company incorporated pursuant to the laws of Bermuda.

18. Attached as **Exhibit “A”** is a chart showing the Companies’ corporate structure, including jurisdictions of incorporation.

B. The Companies’ Business and Operations

(i) Operations

19. Ignite Services carries on business as a digital insurance brokerage for personal, auto, commercial, pet, and travel insurance. Ignite Services operates from a leased office space located in Waterloo, Ontario. None of the Companies own any real property.

20. The Company has agreements with several different insurance companies (the “**Brokerage Agreements**”). While the terms of each Brokerage Agreement vary, the Brokerage Agreements permit the Company to act as a broker and sell insurance policies on behalf of the insurance companies to the Company’s customers.

21. Historically, the Company sourced business in the broader retail market (via direct marketing tactics) as well as through affinity partnerships (e.g. employee, loyalty or membership based customer segments).

22. Through the Company’s digital platform, the Company assists its customers with shopping for and purchasing various policies from multiple providers. Customers are able to obtain quotes

on various insurance policies, speak to the Company's insurance brokers, and ultimately have their requested insurance policies bound.

23. Pursuant to the Brokerage Agreements, the Company earns a commission when its customers successfully obtain insurance coverage through the Company's digital platform.

24. Approximately 56,000 potential customers access the Company's digital platform each month. From April 2022 to September 2023, approximately 3,700 policies were sold or renewed. As at September 30, 2023, there were approximately 6,700 policies in force.

25. The Company has an ongoing relationship with each of its customers. During the CCAA Proceedings, the Company will continue to place new insurance for customers, effect any amendments and cancellations to existing policies and provide ongoing advice to meet its customers' insurance needs.

26. Historically, approximately 80% of the Company's customers have obtained personal auto insurance, 15% obtained personal property insurance, and 5% obtained commercial insurance.

(ii) Licenses

27. The Company operates in a regulated environment, in accordance with applicable provincial legislation. Each province is responsible for determining the regime for insurance brokerages operating in their province. Among other things, the provincial governments, in some cases through delegation to the applicable regulatory entities, establish rules regarding who may operate as an insurance brokerage and a code of conduct for insurance brokerages.

28. As referenced above, the Company provides services to customers located in Ontario, British Columbia, and Alberta. While each province has established its own rules and criteria for obtaining and maintaining an insurance brokerage license, all provinces generally require:

- (a) that a license be obtained and maintained prior to the commencement of any operations as an insurance brokerage. The licensing application process considers, among other things, the applicant's suitability for a brokerage license by requesting information about criminal records, current charges and convictions under any legislation or by any regulatory body, and information about other registrations or licenses and bankruptcies;

- (b) that a fully licensed individual be associated with the business and be responsible to the regulatory body for the compliant operation of the business and generally be the point of contact for the regulatory body. In Ontario, in respect of RIBO (as defined below), this individual is called the “**Principal Broker**” (with analogous positions in British Columbia and Alberta);
- (c) where the licensee holds and remits insurance premiums to insurance carriers, that the licensee maintains a trust account; and
- (d) that the licensee maintains and submit certain records and be subject to inspection by the provincial regulator.

29. In Ontario, Ignite Services holds: (a) a license to operate as a property and casualty insurance brokerage, issued by the Registered Insurance Brokers of Ontario (“**RIBO**”); and (b) a license to carry on business as a corporate life insurance agency, issued by the Financial Services Regulatory Authority of Ontario.

30. In British Columbia, Ignite Services holds a license to operate as a general insurance brokerage, issued by the Insurance Council of British Columbia (“**ICBC**”).

31. In Alberta, Ignite Services holds a license to act as a general insurance brokerage, issued by the Alberta Insurance Council (“**AIC**”).

32. Ignite Services holds all required licenses to operate as a digital insurance brokerage in Ontario, British Columbia, and Alberta.

33. It is my understanding that it may take 8 weeks or more for a new entrant to obtain the all the licenses that Ignite Services holds.

(iii) Principal Broker

34. As referenced above, in order for the Company to maintain its licenses and carry out its operations, it is required to have a Principal Broker, who is a fully licensed individual associated with the business.

35. RIBO requires a Principal Broker to be: (a) registered as an insurance broker; and (b) a director and/or officer of the insurance brokerage, and/or have the authority to act in the name of,

and on behalf of the insurance brokerage. There are similar requirements mandated by the ICBC in British Columbia and the AIC in Alberta.

36. In Ontario, the responsibilities of a Principal Broker include, among other things, ensuring that (with similar responsibilities in British Columbia and Alberta):

- (a) all registered individual insurance brokers who are employees or partners of the brokerage comply with the relevant legislation;
- (b) all registered individual insurance brokers who are employees or partners of the brokerage are provided with and use all information respecting insurance necessary for them to act without misconduct or incompetence as defined or described in relevant legislation;
- (c) all trust accounts and books, records and accounts of the brokerage are maintained in accordance with the regulations;
- (d) all errors and omission insurance, and/or other forms of financial guarantee, and all fidelity insurance of the brokerage are maintained in accordance with the regulations;
- (e) all required filings of the brokerage are made and prescribed fees and assessments are paid in accordance with the regulations;
- (f) no director, partner or employee of the brokerage who is not a registered insurance broker acts as an insurance broker; and
- (g) procedures are established and followed such that requirements (a) through (f), above, are met.

37. Pursuant to a services agreement entered into between Tri-Quest Marketing Inc. (“**Tri-Quest**”) and the Company on September 1, 2016 (the “**Principal Broker Agreement**”), the Company engaged John Leslie to be the Company’s Principal Broker.

38. Tri-Quest is a licensed insurance brokerage, and its Principal Broker is Mr. Leslie. Among other things, the Principal Broker Agreement provides that Mr. Leslie will act as the designated representative or Principal Broker of the Company and the term is continuous and will be

automatically renewed for one-year periods unless either party terminates the Principal Broker Agreement on 90 days' notice.

(iv) Leased Property

39. As referenced above, none of the Companies own any real property and the Company's business operations are carried out from its leased office space in Waterloo, Ontario.

40. On March 30, 2022, Ignite Services and Guardian Capital Real Estate GP Inc. entered into a lease agreement (the "**Lease**"). Among other things, the Lease provides for a term which expires on June 30, 2025, and Ignite Services is required to pay approximately \$7,772 each month.

(v) Intellectual Property

41. Ignite Insurance owns the trademarks associated with "aha insurance", which are registered trademarks in Canada with the Canadian Intellectual Property Office.

42. The proprietary digital insurance delivery platform developed by the Company is unique. The e-commerce platform allows consumers to purchase insurance real-time online, and I believe that the Company is one out of only four companies that allow for such purchase of home and automobile insurance in Canada. The platform is integrated with omni-channel support allowing the customer to converse directly with a licensed broker at any time and is the only platform in Canada that provides products across multiple carriers.

43. The software used by the Ignite Services is a combination of licenced third-party software (with customized versions uniquely developed for the Company) as well as true proprietary code developed in-house by the Company.

(vi) Cash Management System

44. In the ordinary course of business, the Company uses a cash management system (the "**Cash Management System**") to, among other things, collect funds (premiums from customers or commissions from carriers) and pay expenses associated with its operations. This Cash Management System provides the Company with the ability to efficiently and accurately track and control corporate funds and to ensure cash availability.

45. As part of this Cash Management System, the Company maintains two bank accounts, which are summarily described below:

- (a) TD Canada Trust: CAD operating account (the “**Operating Account**”); and
- (b) TD Canada Trust: CAD trust account (the “**Trust Account**”).

46. As referenced above, each insurance brokerage who holds and remits insurance premiums to insurance carriers must maintain a trust account. The Trust Account is used for premiums paid by policyholders and remitted by Ignite Services to the applicable carriers and to policyholders upon a policy cancellation.

47. The Company is able to transfer commissions received in its Trust Account to its Operating Account, from which the majority of the Companies’ operating expenses are paid from, except for certain tax amounts which are remitted directly from the Trust Account.

(vii) Employees

48. As at October 18, 2023, Ignite Services employed a total of 32 employees and consultants, all of which are located in Ontario with the exception of one employee being located in Alberta. Of the 32 individuals, two are employed on a part-time basis, three are consultants, and the remaining are employed on a full-time basis.

49. None of Ignite Services’ employees are subject to a collective bargaining agreement.

50. Ignite Services sponsors a group registered retirement savings plan (the “**Group RRSP**”) issued by Sun Life Assurance Company of Canada (“**Sun Life**”).

51. As at October 18, 2023, accrued vacation payable was \$94,672. As at October 30, 2023 there will be 9 days of payroll outstanding inclusive of October 27, 2023.

PART III – THE COMPANIES’ FINANCIAL POSITION

52. Copies of Ignite Services’ audited financial statements for the fiscal years ended March 31, 2019, 2020 and 2021 are attached as **Exhibits “B”, “C” and “D”**, respectively. Copies of Ignite Services’ externally prepared financial statements for the fiscal years ended March 31, 2022 and 2023, are attached as **Exhibits “E” and “F”**, respectively.

53. A copy of Ignite Services' management-prepared financial statements for the period ended September 30, 2023 is attached as **Exhibit "G"**.

54. Ignite Services has been operating at a loss since 2018. Ignite Services suffered net losses of:

- (a) over \$6.1 million for the fiscal year ended March 31, 2018;
- (b) over \$11.2 million for the fiscal year ended March 31, 2019;
- (c) over \$10.3 million for the fiscal year ended March 31, 2020;
- (d) over \$8.8 million for the fiscal year ended March 31, 2021;
- (e) over \$10.1 million for the fiscal year ended March 31, 2022; and
- (f) over \$10.1 million for the fiscal year ended March 31, 2023.

55. From April 1, 2023, to September 30, 2023, Ignite Services suffered net losses of approximately \$5.8 million, with losses continuing until the date of this affidavit.

56. While Ignite Services has experienced an increase in revenue year over year, its operating expenses have largely increased proportionately such that Ignite Services has continued to experience net losses during this time despite the year over year increase in revenue.

57. Ignite Services lacks working capital. Ignite Services went from having nearly \$1.5 million in cash on March 31, 2022, to having only \$28,525 in cash on March 31, 2023. The Company's cash position further deteriorated and it had only \$22,103 in cash on September 30, 2023, with over \$7.9 million in current liabilities (all amounts referenced herein exclusive of amounts held in trust).

58. Ignite Services' significant net losses over the years have been funded by the ultimate parent of the Companies, Primary through Primary Subsidiary (as defined below). From February 2018 to the date of this affidavit, Primary Subsidiary has funded approximately \$57.7 million to Ignite Services in order for Ignite Services to maintain operations as a going concern despite the significant net losses noted above.

A. Assets

59. As appears from the Company's balance sheet as at September 30, 2023, the assets of Ignite Services had an unaudited net book value of approximately \$5.8 million and consisted of the following:

Asset Type	Value (\$)
Operating cash	22,103
Trust cash	138,593
Commission receivables	224,595
Accounts receivable	451,906
Prepaid expenses	(1,121)
Current Assets	836,077
Property and equipment	238,147
Intangible assets	4,723,137
Non-Current Assets	4,961,284
Total Assets	5,797,361

B. Liabilities

60. As appears from the Company's balance sheet as at September 30, 2023, the liabilities of Ignite Services had an unaudited net book value of approximately \$71,547,549 and consisted of the following:

Liability Type	Value (\$)
Premium payable	1,007,425
Account payable and accrued liabilities	2,663,389
Employee payables	4,104,293 ²
Current portion of lease liabilities	177,126
Current Liabilities	7,952,232
Long-term debt	7,121,359
Due to related party	57,704,470
Non-Current Liabilities	64,825,828
Total Liabilities	72,778,061

² This amount relates to outstanding source deductions. The amount noted by CRA is different (as described below).

PART IV – THE COMPANIES’ DEBT STRUCTURE

A. Secured Obligations

(i) Aviva Loan Agreement

61. On November 15, 2021, Ignite Services, as borrower, and Aviva Insurance Company of Canada (“**Aviva**”), as lender, entered into a loan agreement (the “**Aviva Loan Agreement**”), pursuant to which Aviva made a \$3 million non-revolving credit facility available to Ignite Services (the “**Aviva Facility**”). The Aviva Loan Agreement was subsequently amended on March 31, 2022, and November 16, 2022, to provide for, among other things, an increased principal amount which may be borrowed by Ignite Services from \$3 million to \$5.94 million. Copies of the Aviva Loan Agreement and amendments to same are collectively attached as **Exhibit “H”**.

62. The Aviva Facility bears interest at a rate of twelve percent (12%) per annum, which accrues monthly on the amounts outstanding under the Aviva Facility. No regularly scheduled repayment on account of principal or interest of the Aviva Facility is required until the facility matures on November 15, 2024.

63. Ignite Services’ obligations under the Aviva Loan Agreement are guaranteed by Primary (up to the maximum amount of \$4.5 million) and Ignite Insurance. Additionally, Ignite Holdings executed a limited recourse guarantee in respect of its shares, in favour of Aviva. As noted above, Primary is the ultimate parent company of the Companies. Copies of these guarantees are collectively attached as **Exhibit “I”**.

64. Ignite Services’ obligations under the Aviva Loan Agreement are secured by:

- (a) security agreements executed by Ignite Services and Ignite Insurance in favour of Aviva, pursuant to which each of Ignite Services and Ignite Insurance granted a first-ranking charge on all of their assets in favour of Aviva; and
- (b) securities pledge agreement executed by Ignite Holdings in favour of Aviva, pursuant to which Ignite Holdings pledged all the issued and outstanding common shares in Ignite Services and Ignite Insurance to Aviva.

65. Copies of the security documents are collectively attached as **Exhibit “J”**.

66. As at the date of this affidavit, the outstanding principal amount under the Aviva Facility is \$5.94 million.

67. On November 15, 2021, Ignite Services also entered into a right of first refusal agreement (“ROFR”) with Aviva, pursuant to which Ignite Services granted Aviva with an exclusive and irrevocable right of first refusal to purchase any of its assets, group of assets, or shares. A copy of the ROFR is attached as **Exhibit “K”**.

(ii) Source Deductions

68. On February 23, 2023, the Canada Revenue Agency (“**CRA**”) issued a notice to Ignite Services setting out certain discrepancies in the Company’s reported deductions as compared to its remittance account with respect to tax deductions, Canada Pension Plan, and employment insurance.

69. On June 22, 2023, the CRA issued a notice of assessment for Ignite Services, pursuant to which the CRA assessed Ignite Services as having \$3,721,625.53 in outstanding source deductions. The outstanding source deductions are broken down as follows:

- (a) Federal Tax – \$1,947,661.49;
- (b) Provincial Tax (Ontario) – \$662,190.09;
- (c) Canada Pension Plan – \$489,981.55;
- (d) Employment Insurance – \$53,652.86;
- (e) Penalty – \$315,345.64; and
- (f) Interest – \$252,793.90

(collectively, the “**Source Deductions**”).

(iii) Employer Health Tax and Retail Sales Tax

70. Attached as **Exhibit “L”** is a summary of the searches against each of the Applicants under the *Personal Property Security Act* (the “**PPSA**”) in Ontario, British Columbia, and Alberta, with currency dates of September 21, 2023.

71. As seen from the PPSA searches, in addition to Aviva and the CRA, the Minister of Finance (Ontario) has registered its security interest in Ignite Services' personal property in the amount of \$54,184 in respect of outstanding liabilities for employer health tax and retail sales tax (the "**MOF Security**").

B. Unsecured Obligations

(i) Intercompany Loans

72. The majority of Ignite Services' obligations are unsecured. On February 6, 2018, Ignite Holdings and its parent company, Ignite Holdings Limited ("**Primary Subsidiary**"), entered into a loan agreement (the "**First Intercompany Loan Agreement**"), pursuant to which Primary Subsidiary provided Ignite Holdings with a credit facility whereby Ignite Holdings could make monthly drawdowns not exceeding \$500,000.

73. Also on February 6, 2018, Ignite Holdings and Ignite Services entered into a loan agreement (the "**Second Intercompany Loan Agreement**", and together with the First Intercompany Loan Agreement, the "**Intercompany Loan Agreements**"), pursuant to which Ignite Holdings provided Ignite Services with a credit facility whereby Ignite Services could make monthly drawdowns not exceeding \$500,000.

74. The First Intercompany Loan Agreement and the Second Intercompany Loan Agreement function as a "back-to-back" loan, whereby any and all amounts drawn by Ignite Holdings under the First Intercompany Loan Agreement are drawn by Ignite Services under the Second Intercompany Loan Agreement.

75. Interest accrues on all amounts drawn pursuant to the Intercompany Loan Agreements at a rate of the London Inter-Bank Offered Rate plus 4.01%, calculated on a daily basis. While Ignite Services is obligated to make quarterly payments of \$250,0000 to Ignite Holdings under the Second Intercompany Loan Agreement, Ignite Services has not made any payments to Ignite Holdings.

76. As referenced above, Primary is the ultimate parent of the Companies and Ignite Services has suffered significant net losses year over year. In order for Ignite Services to fund its operations, it has been relying on its monthly draws under the Second Intercompany Loan Agreement, which has indirectly been funded by Primary through Primary Subsidiary and Ignite Holdings.

77. The maturity date under the Intercompany Loan Agreements is February 6, 2028. As at September 30, 2023, Ignite Services was indebted to Ignite Holdings in the amount of \$57.7million under the Second Intercompany Loan Agreement (which was indebted to Primary Subsidiary, and ultimately Primary, in the same amount).

(ii) Employee Liabilities

78. As at September 30, 2023, the Company had approximately \$253,788 in outstanding obligations to employees, broken down as follows:

- (a) \$71,931 for employee benefits;
- (b) \$137,150 in employee expenses; and
- (c) \$44,707 to the former employees working on a contract basis.

(iii) Trade Payables

79. As at September 30, 2023, the Company had approximately \$2.1 million in outstanding obligations to its trade creditors, broken down as follows:

- (a) \$1,672,827 for IT services;
- (b) \$381,408 in consulting and professional fees;
- (c) \$56,469 for rentals; and
- (d) \$13,516 for other, including utilities, maintenance, etc.

PART V – THE COMPANIES’ FINANCIAL DIFFICULTIES

80. As referenced above, the Companies have been operating at a loss since they began operating in 2018 and as at September 30, 2023, the Company had only \$22,103 in cash, with over \$7.9 million in current liabilities.

81. While the Company’s financial difficulties were driven by a variety of factors, the significant net losses suffered by the Company over the years are largely due to the Company operating as a multi-carrier insurance brokerage with suboptimal rates being offered by insurance companies,

significant customer acquisition costs in the insurance brokerage industry generally, and significant capital investments in its technology. Each of these factors are described below.

82. As a result of the Company operating as a multi-carrier insurance brokerage, carriers did not offer optimal rates to the Company and drove traffic to other platforms, including their own proprietary ones (if applicable). Furthermore, due to a lack of marketing efforts and expenditures, the Company had not been able to generate sufficient customer volume to drive the volume required to receive better rates from carriers. As a result, while the Company attracted a significant number of prospective customers, the Company could not offer policies at competitive rates.

83. The Company also operates within an industry with a significant customer acquisition cost (insurance is amongst the highest across all industries) and the Company faced challenges in converting leads due to additional fixed costs required to service customers. The delivery of this customer support across multiple channels (i.e. online or live broker interaction) also increased the complexity and cost to develop the platform.

84. Further, as of August 2022, Primary, who has been funding the Company's net losses, ceased further funding to support marketing efforts. As a result, monthly traffic and revenue dropped off significantly. The 'best-in class technology' supporting the Company's digital platform was a significant capital investment and a portion of the funding provided by Primary was directed to fund the associated development costs.

85. A significant portion of the Companies' market was influenced by the COVID-19 pandemic. The pandemic impacted the marketplace with consumer behaviours changing dramatically; in particular, there were significantly fewer customers shopping for personal insurance during this time period. As a result of a smaller audience size available to be marketed to, customer acquisition costs jumped dramatically during this period.

PART VI – RESPONSE TO FINANCIAL DIFFICULTIES

A. Loan Agreements

86. As referenced above, in order for Ignite Services to maintain its operations despite suffering significant net losses year over year, it had to rely on funding from Primary under the Intercompany Loan Agreements entered into on February 6, 2018.

87. Without the intercompany funds being advanced to Ignite Services, it likely would not have been operational as early as the end of 2018.

88. Also as referenced above, on November 15, 2021, Ignite Services entered into the Aviva Loan Agreement to obtain an additional \$3 million in liquidity to fund its operations. The Aviva Loan Agreement was subsequently amended on March 31, 2022, and November 16, 2022, to provide Ignite Services with the ability to borrow up to the principal amount of \$5.94 million.

B. Pre-Filing Sales Process

89. From November 2018 to March 2019, Ernst & Young Orenda Corporate Finance Inc. (“**EY**”) was engaged to conduct a preliminary sales process for the Company, in response to mounting financial difficulties (the “**EY Sales Process**”). EY proposed a minority investment structure, where the goal was to secure an additional \$10 million of incremental capital for roughly 25% ownership in the Company.

90. EY reached out to several interested parties comprising primarily of financial investors, including venture capital and private equity funds. Primary was also involved and contributed leads to the EY Sales Process. Over the course of the EY Sales Process, 160 firms were approached, over 20 investor presentations were delivered, and 11 parties conducted “deep dive” diligence of the Company.

91. The EY Sales Process culminated with one party expressing serious interest and providing an offer for a complete acquisition of the Company. However, the value proposed was not attractive to Primary at the time, and negotiations ceased.

92. A further sales process was conducted by MNP Corporate Finance Inc. (“**MNP**”), between September 2019 to January 2020 (the “**MNP Sales Process**”). MNP was engaged by the Ignite Services to secure incremental capital investment; the proposed minority investment structure was \$10 million for roughly 30% ownership of the Company.

93. MNP conducted a process comprising of 48 firms approached, over 10 investor presentations delivered, and 1 party conducting “deep dive” diligence of the Company. However, the MNP Sales Process failed to generate any interest for an investment in the Company.

94. On March 31, 2023, Primary engaged KPMG Corporate Finance Inc. (“**KPMG CF**”) to conduct a sales process (the “**Sales Process**”) for the sale of all or substantially all of the

Company's shares and/or assets. While the Sales Process did not formally communicate to potentially interested parties that they could submit investment proposals, the Sales Process was flexible and permitted parties to submit investment proposals, and certain parties did submit investment proposals.

95. On May 11, 2023, the Applicants and KPMG CF commenced the Sales Process and conducted a broad canvass of the market by contacting 48 strategic parties, which included brokerages with size and scale, underwriters, digital platforms looking to enhance their insurance presence, and personal-lines focused brokerages lacking a strong digital footprint.

96. KPMG CF received a number of expressions of interest during the Sales Process. Ultimately, the Sales Process culminated in the receipt of two (2) letters of intent, including from Southampton Financial Inc. ("**Southampton**").

97. As referenced above, in connection with the Aviva Loan Agreement, Ignite Services had entered into a ROFR with Aviva. KPMG CF reached out to Aviva during its initial canvassing of the market at the outset of the Sales Process. As the ROFR granted Aviva with an exclusive and irrevocable right of first refusal to purchase any of the Company's assets, group of assets, or shares, the Company and KPMG CF re-engaged with Aviva before making any final decision with respect to the sale of the Company's assets and/or shares.

98. Accordingly, after receipt of a term sheet from a potential purchaser under such Sales Process, KPMG CF and the Company gave notice to Aviva as required by the Aviva Loan Agreement regarding the exercise of Aviva's ROFR. In response, on or around August 10, 2023, Aviva appointed Southampton as its nominee under the ROFR, as permitted by the Aviva Loan Agreement.

99. After Southampton was appointed as Aviva's nominee with respect to the ROFR, it confirmed the exercise of the ROFR and the Company entered into an exclusivity arrangement with Southampton.

100. A period of extensive and intensive arm's length negotiations ensued with Southampton with respect to the structure of the transaction and specific terms. Ultimately, after extensive deliberations and consultations with their professional advisors, the Applicants concluded, further to and on the basis of their commercial and business judgment, that the transactions (the "**Transactions**") contemplated in the purchase agreement (the "**Purchase Agreement**") entered

into between Ignite Holdings and Southampton on October 26, 2023, represented the best offer available in the circumstances and that proceeding with the Transactions was in the best interest of the Applicants and their stakeholders.

101. The conduct of the Sales Process will be described in greater detail in the Applicants' materials to be filed in respect of a motion (the "**Sale Approval Motion**") to approve, among other things, the Purchase Agreement and the Transactions contemplated therein (if this Court grants the Initial Order being sought herein).

PART VII – THE PURCHASE AGREEMENT AND TRANSACTIONS

A. Overview of Purchase Agreement

102. Subject to obtaining the Initial Order being sought herein, the Applicants will return to this Court to seek approval of the Purchase Agreement, the Transactions contemplated therein, and various ancillary relief on notice to all applicable parties. A redacted copy of the Purchase Agreement will be served and filed with the Applicants' materials in support of the Sale Approval Motion.

103. A redacted copy of the Purchase Agreement (without Schedules) is attached hereto as **Exhibit "M"** and an unredacted copy of the Purchase Agreement, which includes the purchase price payable by the Purchaser and other key economic terms, will be attached as a Confidential Appendix to the Pre-Filing Report. As it contains commercially sensitive information, the Applicants will seek to seal the Confidential Appendix to the Pre-Filing Report pending closing of each of the Transactions contemplated under the Purchase Agreement

104. The essential terms of the Purchase Agreement and the Transactions contemplated therein are as follows:

Key Terms	Share Purchase
Purchaser	Southampton Financial Inc.
Vendor	Ignite Holdings Inc.

Monitor	KPMG Inc.
Transaction Structure	Share purchase and reverse vesting structure.
Purchased Shares	On closing, the Purchaser shall purchase from the Vendor, all of the issued and outstanding shares in the capital of Ignite Services. For avoidance of doubt, Ignite Services shall be wholly owned by the Purchaser on closing.
Purchase Price	REDACTED
Intercompany Loan	On closing, the Vendor shall contribute, as a capital contribution to a company to be formed by the Vendor (" Residual Co. "), Vendor's contingent right to receive payment, if any, under the contingent indebtedness in an aggregate amount of \$REDACTED owing by Ignite Services to the Vendor pursuant to a promissory note to be issued by Ignite Services in favour of the Vendor (the " Intercompany Loan ").
Deposit	7.5% of the Purchase Price
Absence of Regulatory Concerns	No insurance regulator shall have suspended or terminated, or reasonably appears likely to imminently suspend or terminate, any material license or authorization held by Ignite Services, which the parties, acting in accordance with their obligations under the purchase agreement, have not been able to avoid or have lifted, reversed or cancelled.
Outside Date for Closing	December 7, 2023 or such later date as may be determined by the parties in writing, but in no event shall such later date be later than January 31, 2024.
Employees	Ignite Services, on closing of the Transactions, may terminate no more than five employees designated, in writing, by the Purchaser.
Retained Liabilities	<ul style="list-style-type: none"> • All post-filing claims; • All liabilities of Ignite Services arising after closing which relate to events or circumstances that occurred after closing;

	<ul style="list-style-type: none"> • All tax liabilities of Ignite Services other than any tax liabilities attributable to any pre-closing tax period; • The Intercompany Loan; and • Any other liabilities being retained, to be set out in a Schedule to the Purchase Agreement.
Administrative Expenses Reserve	<p>On the closing date, the Company shall pay the Monitor cash in an amount equal to: (a) the reasonable and documented fees and costs of the Monitor and its professional advisors and the professional advisors of Ignite Services and Residual Co., in each case, relating directly or indirectly to the CCAA Proceedings and the Purchase Agreement (collectively, the “Administrative Expense Costs”); and (b) the amounts owing in respect of obligations secured by the Charges to be granted in the CCAA Proceedings (collectively with the Administrative Expense Costs, the “Administrative Expense Amount”).</p> <p>From time to time after the closing date, the Monitor may pay from the Administrative Expense Amount the Administrative Expense Costs and amounts secured by the Charges, with unused amounts (if any) being transferred by the Monitor to the Vendor.</p>
Key Conditions to Closing	<ul style="list-style-type: none"> • Court granting an Order approving the Purchase Agreement and the Transactions contemplated therein, which Order shall be final; • Completion of the Pre-Closing Implementation Steps (as defined and described below); • Delivery of termination letters to the to be terminated employees; • Completion of the Capitalization Steps (as defined and described below); and • Duly executed original promissory note representing the Intercompany Loan.
Capitalization Steps	<p>On the closing date, but prior to the closing time, the following transaction steps shall be completed (the “Capitalization Steps”):</p> <ul style="list-style-type: none"> • Purchaser to loan an amount equal the Purchase Price to the Vendor (the “Vendor Loan”), for the purpose of Vendor

	<p>using the Vendor Loan to acquire common shares in the capital of Ignite Services;</p> <ul style="list-style-type: none"> • Vendor to deliver an interest-free promissory note in favour of the Purchaser, in the principal amount of the Purchase Price (the “Promissory Note”), representing the Vendor Loan; • Vendor to use the Vendor Loan to subscribe for [•] common shares in the capital of Ignite Services for an aggregate subscription price equal to the amount of the Purchase Price (the “Capital Contribution”); and • Ignite Services to direct the Vendor to pay the Capital Contribution to the Monitor for the benefit of Residual Co.
Other	<p>Upon closing, the Purchaser and its affiliates shall release the Monitor and its affiliates, and each of their respective directors and officers, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors from all actual or potential claims relating to Ignite Services’ business, the purchased shares, or the retained liabilities, save and except for claims arising out of fraud or gross negligence.</p> <p>Upon closing, the Vendor and its affiliates shall release the Monitor and its affiliates, and each of their respective directors and officers, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors from all actual or potential claims relating to (a) the purchased shares; (b) all other equity interests of Ignite Services which remain after the application of the Vesting Order, (ii) the retained liabilities, (iii) the excluded assets or (iv) the excluded liabilities, save and except for claims arising out of fraud or gross negligence.</p>

B. Structure of Transactions

105. As noted above, further details regarding the conduct of the Sales Process and the Purchase Agreement will be provided in the Applicants’ materials in support of the Sale Approval

Motion. Immediately below is a preliminary overview as to why the Transactions, and in particular, the reverse vesting structure, is necessary in the circumstances.

106. An asset sale through the CCAA is not feasible because Southampton does not have any licenses to operate as an insurance brokerage in the provinces in which the Company operates (Ontario, British Columbia, and Alberta) and preserving the tax attributes of Ignite Services is an important consideration behind its offer to purchase the Company's business, which is not possible through an asset sale.

107. I understand that the required licenses to operate the Company's business would likely take at least eight weeks to obtain. As can be seen in the Cash Flow Forecast (as defined below), the Company does not have the necessary funding to wait for Southampton to obtain new licenses required to operate the Company's business.

108. The Company and its advisors will have contacted the relevant regulatory entities to proactively address any questions, issues, or concerns that they may have with respect to the CCAA Proceedings and the potential Transactions to be implemented.

109. In order to preserve the Company's tax attributes, the Company and Primary have agreed to undertake certain preliminary steps before implementation of the Transactions (as described below).

C. Pre-Closing Implementation Steps

110. Subject to the Court's approval of the Purchase Agreement and Transactions contemplated therein, the Company intends to take certain steps prior to the proposed Transactions being implemented, in order to preserve the tax losses in Ignite Services while eliminating the debt owed by Ignite Services to Ignite Holdings under the Second Intercompany Loan Agreement, less \$2.5 million (such net amount referred to herein as the "**Services Loan**"), which are described immediately below (the "**Tax Restructuring**").

111. Ignite Services will incorporate a new wholly-owned Canadian subsidiary ("**Subco**"). Ignite Holdings will transfer the debt owing under the Services Loan to Subco in exchange for a note (the "**Subco Note**") having a principal amount equal to the fair market value of the Services Loan.

112. Subco will then be wound up into Ignite Services, resulting in a settlement of the amounts owing under the Services Loan, and the Subco Note becoming a liability of Ignite Services as a consequence of the winding up.

113. The Subco Note will then be converted into shares of Ignite Services (or contributed to the capital of Ignite Services).

114. The terms of the remaining \$2.5 million owing under the Second Intercompany Loan Agreement will be amended and represented by the Adjustable Promissory Note (as defined in the Purchase Agreement and referred to herein as the “**Intercompany Loan**”).

115. I understand that Primary, as the significant creditor of the Companies with over \$57.7 million of indebtedness owed to it pursuant to the Intercompany Loan Agreements and the proposed DIP Lender (as discussed below) supports approval of the Purchase Agreement and the Transactions contemplated therein.

PART VII – NEED FOR CCAA PROTECTION

116. As referenced above, Ignite Services does not have the necessary liquidity to pay all its obligations as they become due. Accordingly, without the protection of the CCAA and the relief available thereunder, Ignite Services will be unable to meet its obligations as they become due.

117. Ignite Holdings and Ignite Insurance will also be unable to meet their obligations as they become due. Both entities guaranteed the obligations of Ignite Services under the Aviva Loan Agreement and granted security over their assets in respect of same. Ignite Holdings does not have any assets aside from amounts due to it from Ignite Services under the Second Intercompany Loan Agreement, and Ignite Insurance has nominal assets. Accordingly, given the insolvent status of Ignite Services, Aviva will be in a position to seek to recover from both entities without the protection of the CCAA.

118. If Ignite Services is insolvent without the protection of the CCAA, Ignite Services would be forced to shut down operations, which would be extremely detrimental to its landlord, lenders, customers, and employees.

119. The Applicants intend to utilize the Stay of Proceedings and the protections of the CCAA to, among other things, maintain operations, seek to have the Purchase Agreement approved, and implement the Transactions for the benefit of their stakeholders.

PART VIII – THE PROPOSED INITIAL ORDER

A. Stay of Proceedings

120. As referenced above, the Companies are out cash and unable to meet their obligations as they become due. As set out in the cash flow projection (the “**Cash Flow Forecast**”) that was prepared by the Applicants and reviewed by the Proposed Monitor for the period from the date of filing to January 31, 2024, a copy of which will be provided in the Pre-Filing Report of the Proposed Monitor, with the benefit of the Stay of Proceedings, the Applicants will be able to operate until the end of the initial requested 10-day stay period.

121. As set out in the Cash Flow Forecast, the Companies expect that, with the funds to be advanced under the DIP Facility Agreement referenced below, they will have sufficient cash to fund their projected operating costs and the professional fees associated with the CCAA Proceedings until December 7, 2023, being the outside date in the Purchase Agreement.

122. The Companies, therefore, request the Stay of Proceedings for an initial period of ten days, and, if granted by this Court, the Companies will subsequently request an extension of the Stay Period until and including January 31, 2024, at the Sale Approval Motion.

123. In addition to the Stay of Proceedings against the Companies and their Property, the Companies are seeking a stay of proceedings against the D&Os to ensure that they are able to focus on the Companies’ restructuring efforts and to prevent creditors and others from seeking to do indirectly what they cannot do directly by asserting claims or other relief relating to the debts and obligations of the Companies against the D&Os.

B. Appointment of KPMG as Monitor

124. KPMG has consented to act as the Court-appointed monitor of the Applicants, subject to Court approval. A copy of KPMG’s consent to act is attached as **Exhibit “N”**.

125. I am advised by Anamika Gadia of KPMG that KPMG is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (as amended) and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

126. I understand that KPMG has experience in matters of this nature and is therefore well-suited to this mandate. KPMG has acted as financial advisor to the Companies leading up to the filing. Further, as noted above, KPMG CF was engaged to assist with conducting the Sales Process and is therefore familiar with the Applicants' business. KPMG has provided no accounting or auditing advice to the Companies.

127. I am advised by Ms. Gadia of KPMG that the Proposed Monitor is supportive of the relief being sought by the Applicants in the draft Initial Order, as described in this affidavit. Ms. Gadia has also advised me that the Proposed Monitor will be filing a pre-filing report of the Monitor in respect of such relief, and if appointed as Monitor, KPMG will also file a report in respect of the relief to be sought at the Sale Approval Motion.

C. Administration Charge

128. The Initial Order provides for a Court-ordered Administration Charge in favour of the Monitor, counsel to the Monitor, and the Applicants' counsel over all of the Applicants' Property in order to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicants up to a maximum amount of \$750,000.

129. The Administration Charge is proposed to rank ahead of and have priority over all of the other Charges (other than in respect of any super priority amounts owing to CRA) and the Aviva Facility.

130. The Applicants require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA proceedings in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in the Applicants' restructuring.

131. The Applicants have worked with the Proposed Monitor to estimate the proposed quantum of the Administration Charge. The Proposed Monitor has reviewed the quantum of the Administration Charge and has advised that it believes that the Administration Charge (including its proposed quantum) is reasonable and appropriate in the circumstances, given the services to

be provided by the beneficiaries of the Administration Charge and the complexities of the CCAA Proceedings.

132. At the Sale Approval Motion, the Applicants intend to seek super-priority ranking for the Administration Charge over all existing encumbrances.

D. DIP Facility and DIP Lender's Charge

133. As appears from the Cash Flow Forecast, the Applicants expect the need for interim financing, including during the 10-day Stay Period prior to the Sale Approval Motion, to fund these CCAA Proceedings.

134. As a result of needing financing to fund the operations of the Applicants during these CCAA Proceedings in short order, the Applicants commenced negotiations with Primary to provide debtor-in-possession financing. Based on the Applicants' debt structure with Primary being the ultimate parent and a significant creditor and having over \$57.7 million in liabilities owed to it, the Applicants, in consultation with their legal and financial advisors, did not believe that any third party would be able to provide the financing urgently required on significantly better terms on the timeline required by the Applicants.

135. Accordingly, on October 26, 2023, the DIP Facility Agreement was entered into between Ignite Services, as borrower, Ignite Holdings and Ignite Insurance, as guarantors, and Primary, as the DIP Lender. A copy of the DIP Facility Agreement is attached hereto as **Exhibit "O"**.

136. The DIP Facility is subject to customary covenants, conditions precedent, and representations and warranties made by the Applicants to the DIP Lender. Among other things, the DIP Facility Agreement provides for the following:

- (a) DIP Facility: non-revolving loan up to the maximum amount of \$1.1 million.
- (b) Advances: The DIP Facility shall be available by three advances, as follows:
 - (i) an initial advance in the amount of \$350,000, as to be advanced by no later than October 31, 2023 to finance working capital requirements and professional fees and expenses for the 10-day period immediately following the date of the Initial Order, and

- (ii) a subsequent advances in the amount of \$400,000, to be advanced by no later than November 10, 2023, and \$350,000, to be advanced by no later than November 13, 2023, representing the balance of the DIP Facility.
- (c) Interest Rate: The loans made under the DIP Facility Agreement shall be interest free.
- (d) Recoverable Expenses: Ignite Services shall pay all fees and expenses incurred by Primary in connection with the preparation, registration and ongoing administration of the DIP Facility Agreement, the Initial Order, the ARIO, the DIP Lender's Charge and with the enforcement of Primary's rights and remedies hereunder and thereunder, at law or in equity, including, without limitation all reasonable legal fees and disbursements incurred by the Lender. Recoverable expenses by Primary shall also include all reasonable fees and expenses incurred by the Primary in connection with the CCAA Proceedings including in connection with the proposed Transactions or any other transaction and all Court attendances in respect thereof. These fees and expenses shall be secured by the DIP Lender's Charge, whether or not any funds under the DIP Facility are advanced.

137. Per the DIP Facility Agreement, the DIP Facility must be repaid in full by the date that is the earliest of: (a) November 30, 2023 (or such other date as may be agreed to in writing by the DIP Lender, in its sole discretion); (b) the closing of the Transactions; and (c) the date on which the DIP Lender elects to terminate the DIP Facility as a result of an event of default under the DIP Facility Agreement.

138. The proposed Initial Order contemplates that the DIP Lender's Charge will rank subordinate to all the other Charges.

139. The DIP Lender's Charge will secure all of the credit advanced under the DIP Facility. The DIP Lender's Charge will not secure any obligations incurred prior to these CCAA Proceedings.

140. As the DIP Facility will rank subordinate to all the other Charges and the existing secured debt of the Applicants, except for the Aviva Facility, I do not expect any material prejudice to any of the other existing secured creditors of the Applicants should the Court approve the DIP Facility Agreement and grant the DIP Lender's Charge.

141. The Proposed Monitor has advised that it is supportive of the approval of the DIP Facility Agreement and the corresponding DIP Lender's Charge. Accordingly, I believe that it is appropriate in the circumstances for this Court to approve the DIP Facility Agreement and grant the DIP Lender's Charge

E. D&O Charge

142. In order to continue to carry on business during these CCAA Proceedings, the Applicants require the active and committed involvement of their D&Os.

143. Since the continued assistance of the D&Os is required to ensure that these CCAA Proceedings are successfully completed, these D&Os require, in turn, that the Applicants indemnify them for liabilities which they may incur in the context of their positions with the Applicants after the filing of these CCAA Proceedings, including liabilities relating to employee vacations accrued prior to these CCAA Proceedings, but which may be crystallized after the commencement of such proceedings.

144. Although the Applicants intend to comply with all applicable laws and regulations, including with respect to the timely remittance of deductions at source and federal and provincial sales taxes, the D&Os remain nevertheless concerned about their potential personal liability, particularly in the present circumstances.

145. The Applicants maintain directors and officers' liability insurance (the "**D&O Insurance**") for the D&Os which provides up to \$1 million in coverage. It is uncertain whether all claims for which the D&Os may be personally liable will be covered by the D&O Insurance given the complex nature of the exclusions provided for under the D&O Insurance. It is also uncertain whether the amount of coverage provided by the D&O Insurance will be sufficient to adequately protect the D&Os from liability and to incentivize the D&Os to continue their service with the Applicants.

146. Absent the approval by this Court of the D&O Charge in the amounts set out above, the Applicants' D&Os may be forced to resign, which would, in all likelihood, render these CCAA Proceeding much more challenging, and possibly much more costly, to the detriment of the Applicants' creditors and other stakeholders.

147. The Applicants therefore seek the D&O Charge over its Property in the amount of \$250,000 as part of the Initial Order to the secure the above referenced indemnity of the Applicants in favour of the D&Os in connection with any claim which may be asserted against

them from and after the commencement of these proceedings, including claims relating to employee vacation entitlements accrued prior to these CCAA Proceedings, but which may be crystalized after the commencement of such proceedings, to the extent that such claims are not covered or sufficiently by the D&O Insurance.

148. The proposed Initial Order provides that the D&O Charge ranks behind the Administration Charge and the Source Deductions, but ahead of the DIP Lender's Charge and Aviva Facility.

149. The Proposed Monitor has advised that it is supportive of the proposed D&O Charge and quantum thereof.

150. I believe that in these circumstances, the requested D&O Charge is reasonable and adequate given, notably, the complexity of their business, and the corresponding potential exposure of the Applicants' D&Os to personal liability, especially in the present context. The quantum of the D&O Charge contemplated in the Initial Order was specifically determined by the Applicants, in consultation with the Proposed Monitor, based upon the potential director liabilities that could be outstanding at any time during the CCAA Proceedings.

F. Proposed Ranking of the Court-Ordered Charges

151. The proposed ranking of the Charges is as follows:

First – Administration Charge;

Second – D&O Charge; and

Third – DIP Lender's Charge.

152. Pursuant to the proposed Initial Order, the charges on the assets and property of the Company would rank in priority to the claims of Aviva, who will receive notice of this Application. The Applicants intend to ask for an order declaring that the Administration Charge and D&O Charge would rank ahead of all encumbrances at the Sale Approval Motion (if the Initial Order is granted).

G. Sealing Request and Sale Approval Motion

153. As stated above, the Applicants are seeking to have the Confidential Appendix to the Pre-Filing Report, being a copy of the unredacted Purchase Agreement, sealed and not form part of

the public record. I believe that disclosure of the redacted information contained in the Confidential Appendix, being the purchase price payable by the Purchaser and other key economic terms, at this time poses a serious risk to the objective of maximizing value in these CCAA Proceedings, including because disclosure of the redacted pricing information may impair any efforts to remarket the Company if the Transactions do not close.

154. The Applicants are only seeking to have the Confidential Appendix sealed until (a) closing of the Transactions contemplated under the Purchase Agreement; or (b) by further Order of this Court.

155. As referenced above, Exhibit "M" to this affidavit contains a redacted copy of the Purchase Agreement. The redactions in Exhibit "M" are as minimal as reasonably possible and will be filed as part of the public record.

H. Sale Approval Motion

156. At the Sale Approval Motion, the Applicants will seek:

- (a) an order (the "**Approval and Reverse Vesting Order**"), among other things:
 - (i) approving the Purchase Agreement and the Transactions contemplated therein, providing for a going-concern sale transaction for the Company's business, to be implemented by way of a "reverse vesting" structure; and
 - (ii) granting releases to certain parties who have contributed to the Applicants' restructuring; and

- (b) an amended and restated Initial Order (the "**ARIO**"), among other things:
 - (i) extending the Stay Period to and including January 31, 2024;
 - (ii) authorizing the Applicants to increase the amounts which may be borrowed by the Applicants under the DIP Facility Agreement to \$1.1 million and granting a corresponding increase to the DIP Lender's Charge; and
 - (iii) ordering that the Charges rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise, in favour of any person, notwithstanding the order

of perfection or attachment, on notice to those persons likely to be affected thereby.

157. Further details in support of the Approval and Reverse Vesting Order and ARIO being sought by the Applicants on the Sale Approval Motion will be filed with the Applicants' Motion Record in support of same, on notice to persons who may be affected by such orders.

158. The conduct of the Sales Process will be described in greater detail in the Applicants' materials to be filed in respect of a motion (the "Sale Approval Motion") to approve, among other things, the Purchase Agreement and the Transactions contemplated therein (if this Court grants the Initial Order being sought herein).

PART IX – CONCLUSION

159. For the reasons set out above, I believe that it is in the interests of the Applicants and its stakeholders that the Applicants be granted protection under the CCAA in accordance with the terms of the proposed Initial Order.

160. I swear this affidavit in support of the Companies' Application pursuant to the CCAA and for no other or improper purpose.

SWORN remotely via videoconference, by Stephen Livingstone, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in Province of Ontario, this day of October 26, 2023, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely.*

DocuSigned by:
Rania Hammad
3CCD228759524E3...

Commissioner for Taking Affidavits, etc.
RANIA HAMMAD

DocuSigned by:
Steve Livingstone
421DD587E50D4AD...

STEPHEN LIVINGSTONE

EXHIBIT “B”

EXHIBIT "B"

referred to in the Affidavit of

STEPHEN LIVINGSTONE

Sworn January 25, 2024

DocuSigned by:

Rania Hammad

3CCD226759524E3...

A Commissioner for Taking Affidavits

Court File No. CV-23-00708635-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
IGNITE HOLDINGS INC., IGNITE SERVICES INC., and IGNITE INSURANCE
CORPORATION**

Applicants

**AFFIDAVIT OF STEPHEN LIVINGSTONE
(Sworn November 1, 2023)**

I, Stephen Livingstone, of the Village of St. Jacobs, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am the President and Secretary of Ignite Services Inc. ("**Ignite Services**" or the "**Company**"), Ignite Holdings Inc. ("**Ignite Holdings**"), and Ignite Insurance Corporation ("**Ignite Insurance**", and together with Ignite Services and Ignite Holdings, the "**Applicants**" or the "**Companies**") and the Companies' sole director. I have held these positions since February 8, 2016.

2. I am responsible for overseeing the operations of the Companies, their liquidity management and, ultimately, for assisting in their restructuring process. Because of my involvement with the Companies, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the books and records of the Companies and have spoken with certain other individuals who manage the Companies, as necessary. Where I have relied upon such information, I do verily believe such information to be true.

3. Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in my affidavit sworn on October 26, 2023 (the "**Initial Affidavit**"), a copy of which is attached (without Exhibits) as **Exhibit "A"**. All references to monetary amounts in this affidavit are in Canadian dollars unless otherwise stated.

4. This affidavit is sworn in support of a motion (the "**Motion**") by the Applicants for:

- (a) an amended and restated Initial Order (the “**ARIO**”) granting, among other things:
- (i) if necessary, abridging the time for service of the Notice of Motion and Motion Record and dispensing with service on any person other than those served;
 - (ii) an extension of the Stay Period to and including January 31, 2024;
 - (iii) authority for the Applicants to increase the amounts which may be borrowed by the Applicants under DIP Facility Agreement to \$1.1 million;
 - (iv) authority for the Applicants to pay pre-filing amounts owing to certain suppliers that provide the Applicants with essential services (the “**Critical Suppliers**”) with consent of the Monitor; and
 - (v) ordering that the Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, the “**Encumbrances**”), provided that the DIP Lender’s Charge shall not rank in priority to the CRA Priority Payables (as defined below), in favour of any person, notwithstanding the order of perfection or attachment, on notice to those persons likely to be affected thereby; and
- (b) an order (the “**Approval and Reverse Vesting Order**”), among other things:
- (i) approving the Purchase Agreement dated as of October 26, 2023, between Ignite Holdings, as vendor, and Southampton, as purchaser (the “**Purchaser**”), the Transactions contemplated therein, and authorizing and directing the Applicants to take such additional steps and execute such additional documents as necessary or desirable for the completion of the Transactions;
 - (ii) granting releases in favour of (A) the Applicants; (B) Residual Co.; (C) the Monitor; (D) KPMG CF; (E) Primary in its capacities as unsecured lender to the Applicants, the ultimate parent company of the Applicants, and the DIP Lender; and (F) Southampton, and each of their directors, officers, employees, financial and legal advisors, from any fact or matter of

occurrence in respect of the Purchase Agreement, the Transactions contemplated therein, or the Applicants, their assets, business or affairs or administration of the Applicants, except any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA, in connection with the Purchase Agreement or the closing documents; and

- (iii) sealing the Confidential Appendix “A” to the First Report of the Monitor, to be filed (the “**First Report**”), which contains a summary of the economic terms of the offers received in the Sales Process and Confidential Appendix “B” to the First Report which contains a summary of the commercially sensitive terms of the Purchase Agreement and an unreacted copy of the Purchase Agreement.

PART I – OVERVIEW OF THE APPLICANTS’ ACTIVITIES

A. Background

5. The Initial Affidavit described, among other things, the events leading up to the Applicants’ insolvency and their urgent need for relief under the CCAA. Below is a summary overview of certain facts in respect of same.

6. The Company has been operating at a loss since 2018. From commencement of operations to March 31, 2023, the Company has suffered total net losses of over \$59.8 million, and most recently the Company has suffered net losses of over \$10.1 million for each of the fiscal years ended March 31, 2022, and March 31, 2023. The Company has continued to operate at a loss until the date of this affidavit.

7. While the Company’s financial difficulties were driven by a variety of factors, the significant net losses suffered by the Company over the years are largely due to the Company operating as a multi-carrier insurance brokerage with suboptimal rates being offered by insurance companies, significant customer acquisition costs in the insurance brokerage industry generally, and significant capital investments in its technology.

8. The Company’s significant net losses over the years have been funded by the ultimate parent group of the Company, Primary. From February 2018 to the date of the Initial Affidavit,

Primary has funded approximately \$57.7 million to the Company in order for the Company to maintain operations as a going concern, despite the significant net losses noted above.

9. As a result of the Company's historical net losses, the Applicants had conducted two separate processes to secure additional capital in exchange for equity in the Company. The EY Sales Process was conducted from November 2018 to March 2019 and the MNP Sales Process was conducted from September 2019 to January 2020. Neither of these prior processes resulted in an actionable proposal for the Company.

10. Given the Company's deteriorating financial position, Primary engaged KPMG CF on March 31, 2023, to conduct the Sales Process for the sale of all or substantially all of the Company's shares and/or assets. As stated in the Initial Affidavit, the Applicants intend to seek Court approval of the Purchase Agreement resulting from the Sales Process, and the Transactions contemplated in the Purchase Agreement.

11. As will be set out in greater detail below, the execution of the Purchase Agreement represents the culmination of extensive solicitation efforts and is the result of the Sales Process which was designed to parallel and correspond to sales processes used and approved in other CCAA Proceedings. The Purchase Agreement represents the best option available for the Applicants and their stakeholders. Among other reasons, the Transactions will (a) provide for the Company's continuing operations as a going concern, resulting in (i) most of the Company's employees preserving their employment; (ii) the Company's customers maintaining their ongoing relationships with the Company; and (iii) the Company's suppliers of services being able to maintain their business relationships with the Company; (b) provide for most of the Applicants' secured liabilities being satisfied; and (c) provide for various unsecured and contingent liabilities, arising after the date of commencement of the CCAA Proceedings, to be assumed by the Purchaser,.

B. Initial Order and Applicants' Activities Since the Initial Order

12. On October 30, 2023, the Applicants were granted protection under the CCAA pursuant to the Initial Order, a copy of which is attached as **Exhibit "B"**.

13. The Initial Order, among other things:

- (a) appointed KPMG as Monitor of the Applicants;

- (b) granted a Stay of Proceedings in favour of the Applicants until and including November 9, 2023;
- (c) approved the execution of the DIP Facility Agreement, pursuant to which the Applicants were authorized to borrow up to the Initial Advance of \$350,000, which, together with the other obligations of the Applicants under the DIP Facility Agreement, will be secured by the DIP Lenders' Charge; and
- (d) granted the Administration Charge in the amount of \$750,000 and the D&O Charge in the amount of \$250,000.

14. Since the granting of the Initial Order, the Applicants, in close consultation and with the assistance of the Monitor, have been working in good faith and with due diligence to stabilize its business and operations as part of these CCAA Proceedings.

15. Immediately after obtaining CCAA protection, individual targeted communications are being sent by the Applicants or the Monitor to the Company's employees, creditors, and landlord, explaining the general nature of the Initial Order and the CCAA Proceedings, the role of the Court and the Monitor, as well as the immediate implications of the Initial Order for each particular stakeholder group. These communications also included "*Frequently Asked Questions*".

16. Prior to the commencement of the CCAA Proceedings, the Applicants have also had discussions with the various insurance regulatory authorities in the three (3) jurisdictions, in which Ignite Services operates, advising each entity of the granting of the Initial Order and the proposed next steps with respect to the relief being sought by the Applicants at this Motion.

17. Furthermore, on October 29, 2023, Aviva, Ignite Services and Primary entered into a conditional limitation of liability agreement (the "**Limitation of Liability Agreement**"), a copy of which is attached as **Exhibit "C"**, pursuant to which, *inter alia* (i) Ignite Services and Primary acknowledged the indebtedness to Aviva is and shall be due and owing, and (ii) Aviva has agreed that upon recovery of \$4,500,000.00 on account of the Aviva indebtedness, either through a distribution in the CCAA Proceedings, payment from Primary or otherwise, Primary is fully and finally released from its obligations under the guarantee made by Primary to and in favour of Aviva by Primary on November 15, 2021 (and, as further detailed in my Initial Affidavit).

18. In accordance with the Initial Order, I am informed by the Monitor that it has:

- (a) established a website at <https://kpmg.com/ca/ignitegroup> (the “**Monitor’s Website**”) on which updates on the CCAA Proceedings will be posted periodically, together with all the Court materials filed in the CCAA Proceedings;
- (b) established a dedicated email address (ignitegroup@kpmg.ca) and hotlines (1-833-365-6600 or 416-468-7995) to allow stakeholders to communicate directly with the Monitor in order to address any questions or concerns in respect of the CCAA Proceedings;
- (c) on or about October 31, 2023, the Monitor posted the Initial Order and the application materials on the Monitor’s Website; and
- (d) arranged for a notice to be published in the Globe and Mail (National Edition), on November 3, 2023 and November 10, 2023, containing the information prescribed under the CCAA, a draft of which is attached as **Exhibit “D”**.

PART II – SALES PROCESS

A. Prior Sales Processes

19. As stated in the Initial Affidavit, Primary is the ultimate parent group of the Applicants and has funded the Company’s significant net losses over the past several years. From February 2018 to October 30, 2023, Primary has funded approximately \$58.3 million to the Company in order for the Company to maintain operations as a going concern.

20. From November 2018 to March 2019, in response to mounting financial difficulties, EY was engaged by the Company to conduct the EY Sales Process. EY proposed a minority investment structure, where the goal was to secure additional capital in exchange for equity in the Company.

21. EY reached out to several interested parties comprising primarily of financial investors, including venture capital and private equity funds. Primary was also involved and contributed leads to the EY Sales Process. Over the course of the EY Sales Process, 160 firms were approached, over 20 investor presentations were delivered, and 11 parties conducted diligence on the Company.

22. The EY Sales Process culminated with one party expressing serious interest and providing an offer for a complete acquisition of the Company. However, the value proposed was not attractive to Primary at the time, and negotiations ceased.

23. As stated in my Initial Affidavit, a further sales process, the MNP Sales Process, was conducted by MNP between September 2019 to January 2020. MNP was engaged by the Company to secure additional capital in exchange for equity in the Company.

24. MNP conducted a process comprising of 48 firms approached, over 10 investor presentations delivered, and 1 party conducting diligence on the Company. However, the MNP Sales Process also failed to generate any interest for an investment in the Company.

B. Preparation of Sales Process

25. As referenced in the Initial Affidavit, the Company suffered significant net losses of approximately \$20.2 million for the two-year period from April 1, 2021 to March 31, 2023. While Primary had continued to fund the Company's significant net losses so that the Company could maintain operations as a going concern, Primary also engaged KPMG CF on March 31, 2023, to assist with conducting the Sales Process.

26. While KPMG CF, in consultation with Primary and the Applicants, considered a broad range of transactions, the Sales Process was focused on a sale of Ignite Services' business. Given the results of the EY Sales Process, the MNP Sales Process, and the Applicants' capital structure with significant amounts of debt, it was determined that a refinancing transaction was likely not actionable in the circumstances.

27. On April 3, 2023, KPMG CF began preparing various deliverables with respect to the Sales Process. Among other things, KPMG CF prepared a teaser letter, non-disclosure agreement ("**NDA**"), confidential information memorandum ("**CIM**"), and a virtual data room ("**VDR**"), all in consultation with the Applicants.

28. KPMG CF, in consultation with Primary and the Applicants, developed a list of qualified, potentially interested parties comprised of strategic buyers and financial parties, all of which have existing investments in, operate in, or are familiar with the insurance industry ("**Potential Bidders**").

29. Potential Bidders all have existing investments and/or operate in the insurance industry in the following capacities:

- (a) brokerages with size and scale;
- (b) underwriters;
- (c) digital platforms looking to enhance their insurance presence; and
- (d) insurance brokerages lacking a strong digital footprint.

30. I understand from the Monitor that the Sales Process was designed to parallel and correspond to sales processes used and approved in other CCAA Proceedings.

C. Solicitation of Interest

31. KPMG CF began contacting Potential Bidders on May 11, 2023. By May 30, 2023, KPMG CF had contacted a total of forty-eight (48) Potential Bidders, including Aviva, and provided each Potential Bidder with a teaser letter and NDA.

32. Among other things, the teaser letter provided an overview of Ignite Services, a description of the opportunity to acquire Ignite Services' business, financial highlights, investment highlights, and invited Potential Bidders who were interested in further discussions to sign an NDA.

33. By May 31, 2023, KPMG CF had received twenty-five (25) signed NDAs from Potential Bidders, including from Southampton. On June 2, 2023, the CIM was distributed to all Potential Bidders who had executed and returned NDAs to KPMG CF at that time. Between June 3, 2023 and June 9, 2023, a further six (6) CIMs were distributed to Potential Bidders with signed NDAs.

34. Among other things, the CIM provided a comprehensive overview and detailed Ignite Services' operations, its management team, digital platform, financial position, and potential business synergies.

35. In support of the initial marketing and solicitation process, between May 11, 2023, and June 30, 2023: (a) the Applicants provided thirteen (13) technology demonstrations regarding the Company's digital platform; and (b) KPMG CF and the Applicants participated in ongoing marketing calls and conducted various due diligence sessions with Potential Bidders.

D. Non-Binding EOIs

36. On June 19, 2023, KPMG CF sent a process letter (the “**Process Letter**”) to each of the Potential Bidders who had executed NDAs and continued to demonstrate an interest to engage in the Sales Process.

37. The Process Letter was developed by KPMG CF, in consultation with the Applicants and Primary. Pursuant to the Process Letter, each Potential Bidder was required to submit a non-binding expression of interest (“**EOI**”) by 3:00 PM (Eastern Time) on Friday, July 30, 2023 (the “**Deadline**”).

38. Among other things, the Process Letter requested that each Potential Bidder submitting an EOI provide details with respect to the various points described immediately below, among others:

- (a) *Valuation.* An indication of the enterprise value for the Company on a debt-free, cash-free basis with a description of any material assumptions in arriving at the offer price;
- (b) *Transaction Structure.* An outline of the proposed transaction structure, including preliminary sources and uses for cash and debt required;
- (c) *Financing.* A description of the sources of financing required, if any, to complete the proposed transaction. If external sources of debt or equity capital were required, the amount and timing to commit necessary funding;
- (d) *Due Diligence and Timing.* Summary of contemplated due diligence streams and estimated time required to close;
- (e) *Review and Approval.* Confirmation that the party delivering the EOI has received necessary approvals, including any board or shareholder approvals, as well as an assessment of any regulatory implications;
- (f) *Disclosure of Interest.* Brief description of interest in companies that either compete directly or indirectly with the Company; and
- (g) *Other Considerations.* Any other issues to be considered in the evaluation of the EOI.

39. Pursuant to the Process Letter, the Company indicated it would review the EOIs submitted and invite certain Potential Bidders to a management meeting and provide them with access to the VDR. Among other things, the VDR provided additional business, financial, and legal information about the Company.

40. Four (4) EOIs were received by the Deadline, including from Southampton on June 23, 2023. While three (3) additional Potential Bidders requested and were granted approximately one-week extensions to submit an EOI, none of them did so.

41. In addition to the four (4) EOIs, three (3) Potential Bidders expressed interest in specific assets of the Company however no formal EOIs were submitted by these parties.

42. Notably, Aviva did not submit an EOI and reserved their rights in respect of the ROFR during this period.

E. Exclusivity With Potential Bidder 1

43. Following the Deadline, KPMG CF, Primary, and the Applicants evaluated the EOIs received. Based on the economic terms, one of the Potential Bidders ("**Potential Bidder 1**") was invited to submit a non-binding letter of intent ("**LOI**").

44. At this time, Aviva was approached again in respect of its ROFR. Aviva declined to exercise their ROFR at this time and advised that the Company should proceed with negotiations with Potential Bidder 1 pursuant to the LOI.

45. On July 11, 2023, the Company received an LOI from Potential Bidder 1 and entered into an exclusivity arrangement with Potential Bidder 1.

46. From July 11, 2023, until August 10, 2023, a period of intensive and arm's-length negotiations between KPMG CF, the Applicants, and Potential Bidder 1 took place. On August 4, 2023, KPMG CF advised Potential Bidder 1 of the existence of the ROFR entered into between the Company and Aviva.

47. Despite KPMG CF's and the Applicants' best efforts, Potential Bidder 1 would not increase the total consideration under its offer beyond the amount in the LOI that was submitted. Moreover the EOI received from Potential Bidder 1 had a much lower value than the LOI, which was representative of their final and best offer.

48. Potential Bidder 1 also did not contest Aviva's ability to exercise ROFR and agreed to waive its exclusivity arrangement with the Company.

F. Exercise of ROFR and Selection of Successful Bid

49. As referenced in the Initial Affidavit, in connection with the Aviva Loan Agreement, Ignite Services entered into the ROFR with Aviva. Pursuant to the ROFR, Ignite Services granted Aviva with an exclusive and irrevocable right of first refusal to purchase any of its assets, group of assets, or shares.

50. On August 1, 2023, in accordance with the terms of the ROFR, KPMG CF and the Company contacted Aviva to discuss whether Aviva would be exercising its rights under the ROFR. As required under the terms of the ROFR, the terms of Potential Bidder 1's LOI were shared with Aviva.

51. On or around August 10, 2023, Aviva appointed Southampton as its nominee under the ROFR. As stated above, Potential Bidder 1 did not contest the ROFR and was not prepared to improve its offer to purchase the Company. Following Southampton's appointment as nominee and Potential Bidder 1 waiving its exclusivity, KPMG CF negotiated specific terms surrounding Southampton's ability to close the transaction in an expedited process given the significant net losses and financial stress of the Company.

52. On August 23, 2023, Southampton submitted a non-binding LOI and entered into an exclusivity arrangement with the Company.

53. The terms of Southampton's LOI largely mirror the LOI submitted by Potential Bidder 1. As noted above, the terms of Potential Bidder 1's LOI were shared with Aviva pursuant to the ROFR, which obliges the Company to offer a sale of its business to Aviva at the same price, terms, and conditions as those proposed by any third party seeking to acquire the Company.

54. A period of extensive and intensive arm's length negotiations ensued with Southampton with respect to the structure of the transaction and specific terms. Given the Company's capital structure, among other things, the Applicants and Southampton concluded that the contemplated deal for Southampton to purchase the Company's business should be implemented through these CCAA Proceedings.

55. Ultimately, after extensive deliberations and consultations with their professional advisors, the Applicants concluded in October, 2023, further to and on the basis of their commercial and business judgment, that the Purchase Agreement represented the best offer available in the circumstances and that proceeding with the Transactions was in the best interest of the Applicants and their stakeholders.

56. Accordingly, Ignite Holdings and Southampton entered into the Purchase Agreement on October 26, 2023, a redacted copy of which is attached as **Exhibit “E”**.

57. I understand that the Monitor will be providing a Confidential Appendix “A” to the First Report, which contains a confidential summary of the economic terms of the offers received in the Sales Process, and Confidential Appendix “B” which contains a summary of the commercially sensitive terms of the Purchase Agreement and the unredacted version of the Purchase Agreement.

58. The Applicants are seeking to have the Confidential Appendix “A” sealed until further Order of the Court, and Confidential “B” sealed until closing of the Transactions contemplated under the Purchase Agreement or further Order of the Court. I believe that disclosure of the information contained in the Confidential Appendices at this time poses a serious risk to the objective of maximizing value in these CCAA Proceedings, including because disclosure of the economic terms of the bids received in the Sales Process may impair any efforts to remarket the Company if the Transactions do not close.

PART III – PROPOSED APPROVAL AND REVERSE VESTING ORDER

A. Approval of the Purchase Agreement¹

59. The highest and best offer in respect of the Company’s business and/or assets is the offer made by Southampton under the Purchase Agreement, which is summarized below:

Key Terms	Share Purchase
Purchaser	Southampton Financial Inc.

¹ Capitalized terms used herein and not otherwise defined herein or in the Initial Affidavit have the meanings ascribed to them in the Purchase Agreement.

Vendor	Ignite Holdings Inc.
Monitor	KPMG Inc.
Transaction Structure	Share purchase and reverse vesting structure.
Purchased Shares	On Closing, the Purchaser shall purchase from the Vendor, all of the issued and outstanding shares in the capital of Ignite Services. For avoidance of doubt, Ignite Services shall be wholly owned by the Purchaser on Closing.
Purchase Price	[REDACTED]
Intercompany Loan	<p>At the Closing Time, the Vendor shall contribute, as a capital contribution to Residual Co., Vendor's contingent right to receive payment, if any, under the contingent indebtedness in an aggregate amount of \$[REDACTED] (the "Principal Amount") owing by Ignite Services to the Vendor pursuant to the terms of the form of adjustable promissory note attached as Exhibit "A" to Purchase Agreement (the "Adjustable Promissory Note") to be issued by Ignite Services in favour of the Vendor (the "Intercompany Loan").</p> <p>Under the terms of the Adjustable Promissory Note, Ignite Services promises to pay to Residual Co. the Principal Amount subject to adjustments related to the performance of the acquired business as outlined in the Adjustable Promissory Note. The Adjustable Promissory Note contains certain covenants regarding the conduct of the business by the Purchaser.</p>
Deposit	7.5% of the Purchase Price
Absence of Regulatory Concerns	No Insurance Regulator shall have suspended or terminated, or reasonably appears likely to imminently suspend or terminate, any material license or authorization held by Ignite Services, which the Parties, acting in accordance with their obligations under the Purchase Agreement, have not been able to avoid or have lifted, reversed or cancelled.
Outside Date for Closing	December 7, 2023 or such later date as may be determined by the Parties in writing, but in no event shall such later date be later than January 31, 2024.

Employees	Ignite Services, on Closing, may terminate up no more than five (5) employees designated, in writing, by the Purchaser.
Retained Liabilities	<ul style="list-style-type: none"> • All Post-Filing Claims; • All liabilities of Ignite Services arising after Closing which relate to events or circumstances that occurred after Closing; • All Tax liabilities of Ignite Services other than any Tax liabilities attributable to any Pre-Closing Tax Period; and • The Intercompany Loan.
Administrative Expenses Reserve	<p>On the Closing Date, the Company shall pay the Monitor the cash on hand in the Company (other than any cash held in trust)</p> <p>From time to time after the Closing Date, the Monitor may pay from the Administrative Expense Amount pay the Administrative Expense Costs and amounts secured by the CCAA Charges, with unused amounts (if any) being transferred by the Monitor to the Vendor.</p>
Key Conditions to Closing	<ul style="list-style-type: none"> • Court granting an Order approving the Purchase Agreement and the Transactions contemplated therein, which Order shall be final; • Completion of the Pre-Closing Implementation Steps; • Delivery of termination letters to the employees to be terminated; • Completion of the Capitalization Steps (as defined and described below); and • Duly executed original promissory note representing the Intercompany Loan.
Capitalization Steps	<p>On the Closing Date, but prior to the Closing Time, the following transaction steps shall be completed (the “Capitalization Steps”):</p> <ul style="list-style-type: none"> • Purchaser to loan an amount equal to the Purchase Price to the Vendor (the “Vendor Loan”), for the purpose of Vendor using the Vendor Loan to acquire common shares in the capital of Ignite Services; • Vendor to deliver an interest-free promissory note in favour of the Purchaser, in the principal amount of the Purchase Price (the “Promissory Note”), representing the Vendor Loan; • Vendor to use the Vendor Loan to subscribe for 10,000,000 common shares in the capital of Ignite Services for an aggregate subscription price equal to the amount of the Purchase Price (the “Capital Contribution”); and

	<ul style="list-style-type: none"> • Ignite Services to direct the Vendor to pay the Capital Contribution to the Monitor for the benefit of Residual Co.
Other	<p>Effective as of Closing, the Purchaser and its affiliates shall release the Monitor, and its respective affiliates, and each of their respective directors and officers, partners, members, agents, financial and legal advisors from all actual or potential Release Claims relating to the Business, the Purchased Shares, or the Retained Liabilities, save and except for Released Claims arising out of fraud and/or gross negligence.</p> <p>Effective as of Closing, the Vendor and its affiliates shall release the Monitor and its Affiliates, and each of their respective directors and officers, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors from all actual or potential Released Claims relating to (a) the Purchased Shares; (b) all other Equity Interests of Ignite Services which remain after the application of the Vesting Order, (i) the Retained Liabilities, (ii) the Excluded Assets, or (iii) the Excluded Liabilities, save and except for Released Claims arising out of fraud and/or gross negligence.</p>

60. I understand from my discussions with the Monitor and the Applicants' counsel that the Purchase Agreement represents the best possible outcome for the Applicants, their creditors, and other stakeholders in the circumstances.

61. The execution of the Purchase Agreement represents the culmination of extensive solicitation efforts on the part of the Applicants and KPMG CF. I believe that the Sales Process leading up to the commencement of the CCAA Proceedings broadly canvassed the market of parties interested in the Applicants' business and assets. Further, I am advised by the Monitor that it also believes the timelines and terms of the Sales Process were reasonable and appropriate in the circumstances.

62. The benefits of the Transactions include the following, among others:

- (a) most of the Applicants' secured liabilities will be satisfied, with all the outstanding proven priority Source Deductions being satisfied; and
- (b) the Company will continue operations as a going concern, resulting in:

- (i) the potential for most of the Company's employees to preserve their employment;
- (ii) the Company's suppliers of services being able to maintain their business relationships with the Company; and
- (iii) the Company's customers maintaining their ongoing relationships with the Company. As referenced in the Initial Affidavit, the Company continues to place new insurance for customers, effect any amendments and cancellations to existing policies, and provide ongoing advice to meet its customers' insurance needs.

B. Reverse Vesting Structure

63. The Transactions contemplated in the Purchase Agreement have been structured to form a "reverse vesting" transaction. In essence, instead of providing for a traditional asset sale transaction where all purchased assets are purchased and transferred to the purchaser on a "free and clear" basis and all excluded assets, excluded contracts and excluded liabilities remain with the debtor company, the Transactions provide for a share transaction whereby, essentially:

- (a) after implementation of the Pre-Closing Implementation Steps (as more particularly described in the Purchase Agreement and paragraphs 110 to 115 of the Initial Affidavit) and the Capitalization Steps, Southampton will purchase the new shares of the Company from Ignite Holdings and become the sole shareholder of the Company; and
- (b) all Excluded Contracts, Excluded Assets, and Excluded Liabilities (each as defined in the Purchase Agreement) with respect to the Company will be transferred and "vested out" to Residual Co., so as to allow Southampton to indirectly acquire the Company's business and assets on a "free and clear" basis.

64. More specifically, if approved by this Court, the Approval and Reverse Vesting Order provides for the following sequence to occur upon closing (the "**Closing Sequence**"):

- (a) first, all of the Company's right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in Residual Co., with all applicable claims and

encumbrances continuing to attach to the Excluded Assets and to the purchase price payable by the Purchaser for Purchased Shares (the "**Purchase Price**");

- (b) second, all Excluded Contracts and Excluded Liabilities shall be channeled to, assumed by and vest absolutely and exclusively in Residual Co. such that the Excluded Contracts and Excluded Liabilities shall become obligations of Residual Co., and shall no longer be obligations of the Company and all of the Company's respective assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate, including property held in trust for the Company (the "**Property**"), shall be forever released and discharged from such Excluded Contracts and Excluded Liabilities and all related claims and all encumbrances affecting or relating to the Property are to be expunged and discharged as against the Property;
- (c) third, in consideration for the Vendor Loan being set off against the Purchase Price under the Purchase Agreement, Ignite Holdings shall transfer the Purchased Shares to Southampton, and all of the right, title and interest in and to the Purchased Shares shall vest absolutely in Southampton, free and clear of and from any and all claims and encumbrances of any kind and in favour of any party and, for greater certainty, all of the claims and encumbrances of any kind affecting or relating to the Purchased Shares would be expunged and discharged as against the Purchased Shares; and the Promissory Note shall be cancelled;
- (d) fourth, Ignite Holdings shall contribute, as a capital contribution to Residual Co., Ignite Holding's contingent right to receive payment, if any, under the Intercompany Loan;
- (e) fifth, Ignite Services shall be deemed to cease being an Applicant in these CCAA Proceedings, with Residual Co becoming an Applicant in these CCAA Proceedings. The Companies shall be deemed to be released from the purview of the ARIO and all other Orders of this Court granted in respect of these CCAA Proceedings, save and except for the Approval and Reverse Vesting Order, the provisions of which (as they relate to the Companies) shall continue to apply in all respects.

65. As outlined in the Initial Affidavit, the Company operates in a regulated environment, in accordance with applicable provincial legislation. Among other things, the provincial governments, in some cases through delegation to the applicable regulatory entities, establish rules regarding who may operate as an insurance brokerage and a code of conduct for insurance brokerages.

66. Ignite Services currently holds two (2) licenses in Ontario issued by RIBO and the Financial Services Regulatory Authority of Ontario, one (1) license in Alberta issued by the AIC, and one (1) license in British Columbia issued by the ICBC.

67. I understand that it may take eight (8) weeks or more for a new entrant to obtain all the licenses that Ignite Services holds. In addition to the foregoing licenses, which would require re-issuance to a purchaser if an asset transfer was implemented, Ignite Services would require consents to assign, re-establish or enter into new arrangements with respect to various other commercial counterparties including, but not limited to:

- (a) contracts with certain suppliers of strategic data sources; and
- (b) intellectual property which would require re-recording and registration of the names and assignment.

68. Under a traditional asset sale transaction structure, the licenses held by Ignite Services will be difficult to transfer to a purchaser, and to the extent that such transfer is possible, the steps required to proceed with such transfer will likely result in additional delays, costs, and uncertainty. Southampton expressed that such delays, costs and uncertainty were not acceptable to them when negotiating the terms of the Purchase Agreement.

69. Accordingly, the Purchase Agreement was structured as a reverse vesting transaction because, in part, it will permit the Company to maintain its licenses, intellectual property, and contracts with suppliers.

70. As the Applicants are facing significant liquidity constraints, the delays, costs, and uncertainty associated with getting the Company's licenses, intellectual property and contracts with suppliers is not a viable option.

71. Additionally, the reverse vesting structure permits the maintenance of the Company's tax attributes, which includes over \$62.4 million in net losses from the fiscal year ended March 31,

2017, to September 30, 2023, as described in the Initial Affidavit. I understand that the Company's tax attributes are a very important consideration to Southampton's decision to enter into the Purchase Agreement.

72. The importance of maintaining the Company's tax attributes is also reflected in the terms of the Purchase Agreement with respect to the Pre-Closing Implementation Steps, which are proposed to be implemented in order to, among other things, preserve the tax losses in Ignite Services while eliminating debt owing by Ignite Services to Ignite Holdings under the Services Loan, pursuant to the Tax Restructuring.

73. I do not believe that completing the Transactions under a reverse vesting structure will result in any material prejudice or impairment of any of the Applicants' creditors' rights that they would otherwise have under an asset sale transaction under any other alternative available to the Applicants. The Purchase Agreement maintains the rights that creditors would otherwise have in an asset sale transaction. In the case of parties with existing contracts with the Company, though no assignment of contracts (consensual or through an assignment order) is contemplated, the Purchase Agreement provides for all contracts, other than the Excluded Contracts, to remain with the Company. The contracting parties therefore have the opportunity to continue supplying goods and services to the Company post-emergence from the CCAA Proceedings. Contract counterparties will also be served with the Applicants' motion record to provide them with notice that their contracts may be retained or excluded as part of the Transactions.

74. In this case, the market has been thoroughly canvassed. The best going-concern option which would result in continued employment for many of the Company's employees, continued relationships with the Company's suppliers and customers, among other benefits contemplated under the Purchase Agreement.

75. While a variety of liabilities will be vested out into Residual Co. in this structure, the same result would have occurred had the transaction been implemented in an asset transaction structure. The concept of Retained Liabilities in the Purchase Agreement provides a benefit for a variety of stakeholders that would not have otherwise had this benefit in a traditional asset sale transaction structure. As referenced above, the Retained Liabilities (as defined in the Purchase Agreement) include: (a) all post-filing claims; (b) all liabilities of the Company arising from and after closing of the Transactions that relate to events or circumstances that occurred after Closing; (c) tax liabilities of the Company other than tax liabilities attributable to any Pre-Closing Tax Period

(as defined in the Purchase Agreement); and (d) the Intercompany Loan (as defined in the Purchase Agreement).

76. Finally, I believe, based on my involvement with the Sales Process that:

- (a) the process leading to the proposed Transactions, with Potential Bidders being contacted in early May 2023, was reasonable in the circumstances;
- (b) KPMG CF properly conducted the Sales Process and consulted the Applicants and Primary throughout, as required and necessary;
- (c) the Transactions, if approved by this Court, will result in the best outcome for the Applicants, their creditors, and other stakeholders in the circumstances;
- (d) the consideration to be received for the Purchased Shares is reasonable and fair, considering their market value, the broad canvassing of the potentially interested parties, and the intensive negotiations with Potential Bidders during the Sales Process; and
- (e) the Monitor, Aviva, and the Applicants' most significant unsecured creditor with over \$58.3 million of indebtedness owing to it (Primary), are each supportive of the relief being sought on this Motion.

C. Releases

77. As set forth in the draft Approval and Reverse Vesting Order, the Applicants also seek the issuance of releases (the "**Releases**") in favour of:

- (a) the Applicants and their present directors, officers, employees, financial and legal advisors;
- (b) Residual Co., and its present directors, officers, employees, financial and legal advisors;
- (c) the Monitor and its legal counsel and their respective current and former directors, officers, partners, employees, and advisors;

- (d) KPMG CF, and their respective current and former directors, officers, partners, employees, and advisors;
- (e) Primary, in its capacities as (i) unsecured lender to the Applicants; (ii) ultimate parent company of the Applicants; and (iii) the DIP Lender, and its current and former directors, officers, partners, employees, financial and legal advisors. For greater certainty, Primary is not being released from its obligations under its guarantee to Aviva as amended by the Limitation of Liability Agreement; and
- (f) Southampton, and its present and former directors, officers, employees, financial and legal advisors, (collectively, the “**Released Parties**”).

78. The Releases cover any and all present and future claims against the Released Parties based upon any fact or matter of occurrence in respect of the Purchase Agreement, the Transactions contemplated therein, or the Applicants, their assets, business or affairs or administration of the Applicants, except any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA, in connection with the Purchase Agreement or the closing documents.

79. The Releases are being sought in order to achieve certainty and finality for the Released Parties in the most efficient and appropriate manner given the circumstances.

80. The Applicants believe that the Releases sought are appropriate, given the significant and material contributions of the Released Parties in connection with the CCAA Proceedings and the Transactions, which, as previously discussed, will allow for the satisfaction of most of the Applicants’ secured liabilities, assumption of certain unsecured liabilities, and will allow the Company to continue its operations as a going concern.

81. The Applicants and the Monitor believe that the Releases are an essential component to the Transactions.

PART IV – PROPOSED ARIO

A. Extension of the Stay Period

82. The Applicants are seeking to extend the Stay Period to and including January 31, 2024. The extension of the Stay Period is necessary and appropriate in the circumstances to provide

the Applicants with continued breathing space while they attempt to maximize value for the benefit of their stakeholders through the CCAA Proceedings, by expeditiously closing the Transactions contemplated under the Purchase Agreement and, subsequent to closing, making distributions to the Applicant's secured creditors.

83. As set out above, since the granting of the Initial Order, among other things, the Applicants have reached out to several of their stakeholders, including the Company's employees, suppliers, landlord, and the regulatory entities in each province for which the Company has ongoing operations.

84. Accordingly, the Applicants have acted, and are continuing to act in good faith and with due diligence in these CCAA Proceedings since the granting of the Initial Order.

85. The Cash Flow Forecast referenced in the Initial Affidavit and attached as Appendix "B" to the Pre-Filing Report of the Monitor dated October 27, 2023 is attached as **Exhibit "F"** to this affidavit. The Cash Flow Forecast demonstrates that the Applicants have sufficient liquidity to operate through the proposed extension of the Stay Period to and including January 31, 2024.

86. The Applicants' stakeholders will benefit from the extension of the Stay Period.

87. The Monitor and the DIP Lender are both supportive of the proposed extension of the Stay Period.

B. Critical Suppliers

88. The Applicants are seeking authorization to make payments for pre-filing arrears to Critical Suppliers who provide the Applicants with essential services, to the maximum aggregate amount of \$100,000 with the consent of the Monitor.

89. The cooperation of certain Critical Suppliers is necessary for the Applicants to maintain their operations, and for the Applicants to be compliant with applicable provincial insurance legislation and maintenance of regulatory licenses.

90. The Applicants do not have any readily available means to replace these Critical Suppliers; even if they did, doing so would be time consuming and costly.

91. The proposed form of ARIO provides that payments to Critical Suppliers will only be made with the express authorization of the Monitor. I believe that this provides the necessary flexibility required to deal with the circumstances in a time-sensitive manner.

92. The Monitor, Southampton, Aviva and the DIP Lender support the Applicants' request to allow these payments.

C. Proposed Ranking of the Court-Ordered Charges

93. The Initial Affidavit sets out the evidentiary basis for the appropriateness and necessity of the Administration Charge and the D&O Charge in the circumstances.

94. While the Charges in the Initial Order only primed Aviva's position as secured lender, the proposed Administration Charge and D&O Charge in the proposed ARIO rank ahead of all Encumbrances, provided that the DIP Lender's Charge shall not rank in priority to the any super-priority claim of the Canada Revenue Agency, which priority is not reversed by operation of applicable law (the "**CRA Priority Payables**"). I am advised by Rania Hammad of Stikeman Elliott LLP, the Applicants' counsel, that all secured parties who may be affected by the Charges will be served with notice of this motion.

95. The proposed ARIO provides that the Charges and Encumbrances, as among them, shall be as follows:

First – the Administration Charge (to the maximum amount of \$750,000);

Second – the D&O Charge (to the maximum amount of \$250,000);

Third – the CRA Priority Payables; and

Fourth – the DIP Lender's Charge.

PART V – CONCLUSION

96. For the reasons set out above, I believe that it is in the best interests of the Applicants and their stakeholders that this Court grant the proposed Approval and Reverse Vesting Order, approving the Purchase Agreement and the Transactions contemplated therein, and that this Court grant the proposed ARIO.

97. I swear this affidavit in support of the Applicants' Motion for the Approval and Reverse Vesting Order and the ARIO and for no other or improper purpose.

SWORN remotely via videoconference, by Stephen Livingstone, stated as being located in the Village of St. Jacobs, in the Province of Ontario, before me at the City of Toronto, in Province of Ontario, this 1st day of November, 2023, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.

DocuSigned by:
Rania Hammad
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Commissioner for Taking Affidavits, etc.
RANIA HAMMAD

DocuSigned by:
Steve Livingstone
421DD567E50D4AD...

STEPHEN LIVINGSTONE